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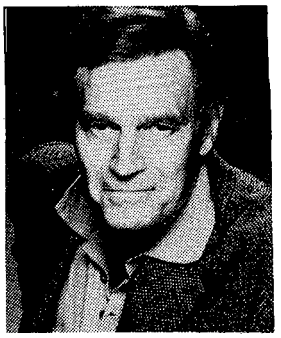

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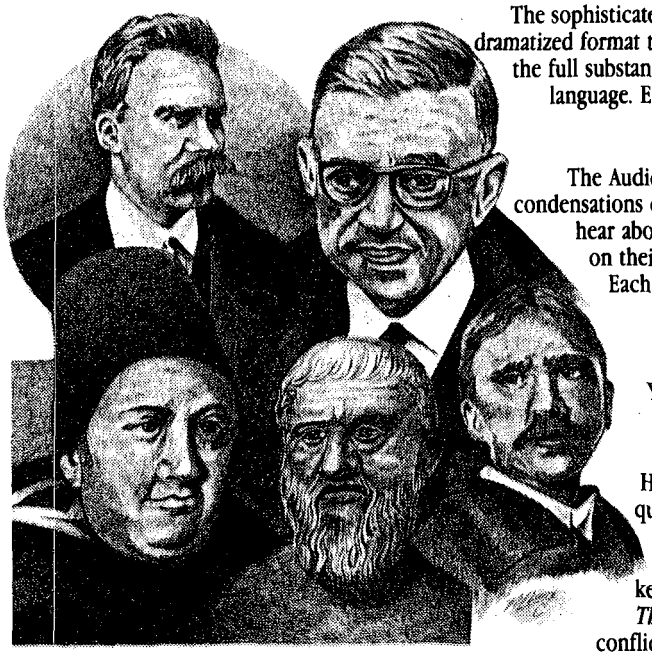

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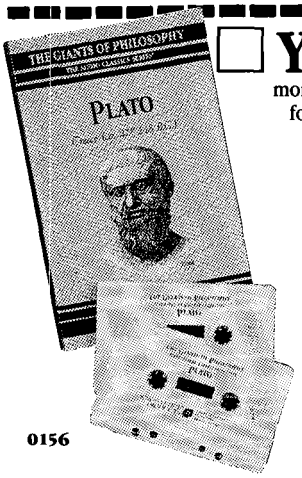

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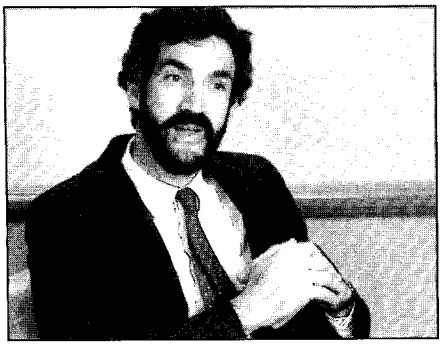

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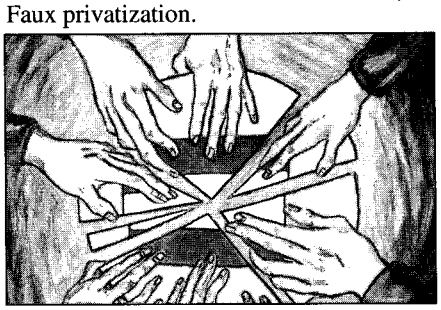

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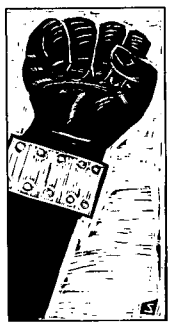

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HISTORICAL CERTAINTIES

VIRGINIA I. POSTREL

I write on January 15, the eve, most of us believe, of battle in the Persian Gulf. You read this weeks later, knowing, if not how things turned out, then at least how they started.

It is a strange time, this countdown to war, a time of anticipation and of uncertainty. We wonder what will happen, when, how it will end, what it will mean. And, most of all, we wonder whether the undertaking is right or wrong, wise or imprudent.

I am struck by the certainty with which other writers proclaim their views. How do they *know* that we must attack and attack and attack until Saddam Hussein is gone? Or, how are they so sure that Hussein's ambitions pose no real threat to the United States? Perhaps they have come reluctantly to their opinions, only to state them boldly. ("Sin boldly," said Martin Luther, a good motto for editorialists.) Or do they simply refuse to consider seriously the risks of their positions?

Some propositions, I believe, are indeed certain: that free people cannot be secure in a world where pirates go unchallenged; that centrally planning a "new world order" is as impossible as centrally planning an economy; that enabling the freely arising world order—of international trade and worldwide communications and free movement of individuals—requires a notion of rights, and of citizenship, that transcends mere geography; that the Middle East is a foreign and violent place, inhospitable to liberalism and from time immemorial prone to war; that the ease and effectiveness of "surgical strikes" is grossly exaggerated; that the international arena is a state of nature in which the evil and the ambitious must often be resisted by force of arms; and that, in this arena, there are no pure solutions and no "good wars," only uncertain and often unpleasant choices.

These convictions offer little guidance in the current situation, for they point in contradictory directions. The president makes much of United Nations resolutions. But international law based on the support of such internally and externally lawless nations as Ethiopia and Syria means little. This is no way to a meaningful world order, certainly no way to a world order based on liberty.

And Saudi Arabia would definitely be on the short list of "countries least deserving of defense by the United States." Kuwait may have been a monarchy, but Saudi Arabia is far worse—a state that exercises control over every aspect of life, that respects no individual rights or free institutions. It is a state that repeatedly returns U.S. favors with contempt—whether by keeping OPEC's cartel alive or by treating U.S. soldiers as mere hired hands. Assuming a U.S. victory in the Gulf, we can expect neither gratitude nor liberalization from the Saudis.

On the other hand, those who scorn international law and international endeavors, who advocate a return to an America First policy, are equally unconvincing. Not to act is to act. Not to challenge expansionist tyrants is to encourage them to expand farther.

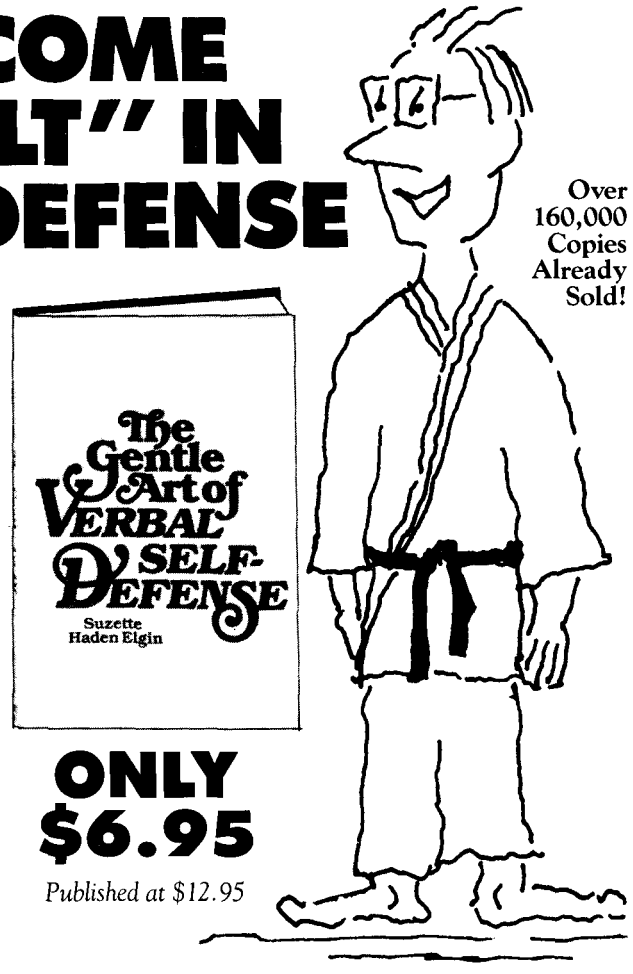
Unless we are to be truly isolationist—not merely in security matters but in trade and travel as well—Americans will have interests, sometimes vital interests, beyond our borders. Since the freedoms we cherish include the freedoms to travel, to do business, even to live abroad—and since modern weapons can travel thousands of miles, anyway—we must choose between true isolation and at least some involvement in foreign affairs. The small world we celebrate when we speak of global markets, of faxes and fiber optics, of the movement of people to freer climes, is a world that demands that we respond to threats as well as opportunities.

People of many different opinions try to derive foreign-policy prescriptions from first principles. To be true to our principles, some proclaim, we must export democracy or, say others, we must ignore the world outside our borders. We must be consistent.

This is an attractive, but false, proposition. From first principles, one may conclude only that the government must act in the interests of the governed. What those interests are, and how best to further them, remains unknown. Ultimately, we make decisions about foreign policy—both collectively and individually—based on prudence, on history, and on personal world views. The decisions we make are necessarily as subjective as our understanding of the world. And in that understanding, the history we have seen ourselves is often more primary than we, seeking universally applicable rules, would like to acknowledge.

In early December, I appeared on a C-Span call-in show with an editor from *The Nation.* Despite our ideological differences, we had one major thing in common: We were both born in the waning days of the Eisenhower administration. This infuriated two of the callers. They informed us in no uncertain terms that we couldn't possibly understand the threat Saddam Hussein poses if we couldn't remember World War II. The lessons of Munich, and of Ethiopia, they said, were the lessons of history. Hussein must be stopped now, before it's too late.

HOW TO BECOME A "BLACK BELT" IN VERBAL SELF-DEFENSE



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Psycholinguist Suzette Haden Elgin has presented her innovative self-defense principles in a variety of formats. She has given workshops and seminars all over the U.S., including verbal self-defense sessions for doctors, lawyers, and other professionals.

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I hear similar, though diametrically opposed, judgments in the arguments of those who, remembering Vietnam, counsel nonintervention. In both cases, the counsel may be informed by ideology, by analysis, or by knowledge of the Middle East. But there is an emotional resonance that goes beyond objective analysis.

It is from this subjective base that people derive their certainties—and their greatest fears. While Vietnam was an ever-present fact of my childhood, it will never have the emotional resonance for me that its aftermath does. The sense of a world out of control, of people hanging on helicopter blades and oil embargoes, of hostages in Iran and Soviet troops sweeping into Afghanistan, is one that will forever inform the world views of people my age. When I was a sophomore in college, the school paper's joke issue featured a lead story announcing that the Soviets had moved into Iran and Carter had declared war on the Soviet Union. Many students believed it.

Now, the Cold War apparently ended and a hot war about to start, I still have a visceral sense that freedom and security can be preserved only through strength and resolve. I have supported U.S. actions in the Gulf, though not without serious doubts.

Last night I spoke with my 20-year-old brother, who, but for an ill-timed shoulder dislocation, would be at the Air Force Academy instead of N.C. State. The war, he says, is on everyone's mind. He heard a guy returning books the other day, having received orders to report for duty. They are worried about a draft—not so much for himself, my brother said, since he may still volunteer, but for those like his roommate who don't approve.

My brother's generation will learn its certainties in the next few months. I pray they will not be bitter ones. ■

AGENTS OF HATE

CHARLES OLIVER

When in trouble, attack the Japanese. That's the ugly new rule in American business and politics. Its most recent practitioner is Interior Secretary Manuel Lujan.

"Happy New Year!" Lujan huffed. "A Japanese company now owns exclusive rights to do business in Yosemite." Lujan referred to Matsushita Electrical Industrial Co.'s purchase of MCA Inc., which owned the Yosemite and Curry Co., the exclusive concessionaire at Yosemite National Park.

Hysterically ranting about the Japanese buying up America, Lujan said, "I don't think it does any good to siphon our money overseas."

That was a curious claim considering that the Curry Co. didn't fit into Matsushita's business plans, and the Japanese company had early on announced its plans to sell the concessions to an American company. Matsushita even offered to put the Curry Co. into escrow until it found a buyer and to donate all profits during the transition period to the National Park Foundation, a nonprofit group that funnels private money into the park system.

Since Lujan went out of his way to point out that he didn't buy Japanese cars or stay in Japanese-owned hotels, it's tempting to blame his outburst on racism and xenophobia. But while that is surely part of the answer, there was another, more practical, reason for Lujan's tirade.

For the last two years, Lujan has distinguished himself by his complete lack of knowledge of the responsibilities and activities of the Interior Department. Toward the end of last year, Washington insiders openly speculated about how long he would remain in office. EPA chief William Reilly, a longtime friend of President Bush's, was said to be after the Interior job. And Lujan couldn't have been pleased to see the forced resignation of Education Secretary Lauro Cavazos, another cabinet member noted for his lack of accomplishments.

So Lujan unleashed his New Year's Day surprise. It seems to have accomplished its purpose. Lujan got a lot of press. True, much of it was negative, but Lujan finally seemed to be doing *something*. He joined a growing list of Americans who use Japan bashing to mask their own failures or lack of ideas.

After watching the Democrats lose the White House by two consecutive landslides, Rep. Richard Gephardt (D-Mo.) made Japan bashing the cornerstone of his 1988 presidential campaign. While Gephardt didn't get his party's nomination, he did garner plenty of free publicity and a reputation for toughness that helped him become House majority leader a year later.

After his company's sales declined for three consecutive years and profits plummeted, Chrysler chairman Lee Iacocca starred in a series of commercials that spent more time attacking Americans who buy Japanese cars than touting Chrysler's virtues. Iacocca went on to express even stronger anti-Japanese views to seemingly every interviewer in America.

Chrysler's sales didn't go up, but Iacocca reinforced his image as a tough businessman. Some criticized Iacocca for being xenophobic, but no one asked embarrassing questions about the doomed Chrysler-Maserati luxury car, Chrysler's failure to develop a new mid-sized car, its ill-fated purchase of AMC, or Iacocca's multimillion-dollar salary.

Similarly, Lujan's campaign was a success. Matsushita agreed to sell the concessions to the Park Foundation for $50 million—well below the Curry Co.'s estimated value of $100 million. And Lujan got to keep his job, at least for now.

Japan bashing, like any racist outburst, poisons political debate. But it works. Until Americans decide that we won't tolerate any form of racism, until we hold the Lujans and Iacoccas of the world responsible for their failures, until we stop rewarding the Gephardts for their xenophobia, Japan bashing will continue. And we will have only ourselves to blame. ■

"In my classes at Harvard, the answer is always more government. But not at the Mises University!" —*Liam Ford, Harvard University*

Ludwig von Mises, 1881 - 1973

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EDITORIALS

WHAT'S THE PROBLEM?

JACOB SULLUM

Suppose you're concerned about speeding on the nation's highways. You might reason as follows: All speeders are drivers; if we could reduce the number of drivers, the number of speeders would also decline. So you'd implement a set of programs—an ad campaign, heavy car taxes, fines for people caught behind the wheel—to discourage driving. You'd track the number of drivers from year to year to judge your success at curbing speeding, a.k.a. "the driving problem."

This is the logic of the war on drugs, implicit in the federal government's report on its latest survey of drug use. As expected, the 1990 Household Survey by the National Institute on Drug Abuse found a continued decline in the use of illegal drugs, tobacco, and alcohol. "The drug problem, even in some of its most difficult aspects, is now getting better," acting drug czar John P. Walters said.

For Walters, the "drug problem" is this: People use drugs. (The "most difficult aspects" of the problem, presumably, are those proportionately rare cases where drug use actually harms someone.)

You might expect that attitude from Bill Bennett's temporary successor, but it's also the view of the public-health establishment. Hence Secretary of Health and Human Services Louis Sullivan was especially pleased by the declines in "current" cocaine use (during the previous month) and "frequent" cocaine use (weekly or more often). The latter, Walters explained, "has come to serve as a basic measure of addictive behavior."

Yet someone who has a few beers on Saturday night is not necessarily an alcoholic; why is someone who snorts cocaine once a week an addict? At the very least, addiction entails a strong urge to use a drug and continued use despite unpleasant consequences. Weekly use, let alone monthly use, is not in itself evidence of such feelings and behavior.

But wait. HHS is also worried about Americans who have smoked marijuana in the past year; 15-to-44-year-old women who have used any illegal drug in the past month; and 18-to-34-year-old workers who have taken an illicit substance in the past year. Furthermore, Sullivan approvingly noted a decline in the number of Americans who drink alcohol (a "gateway drug") weekly or monthly.

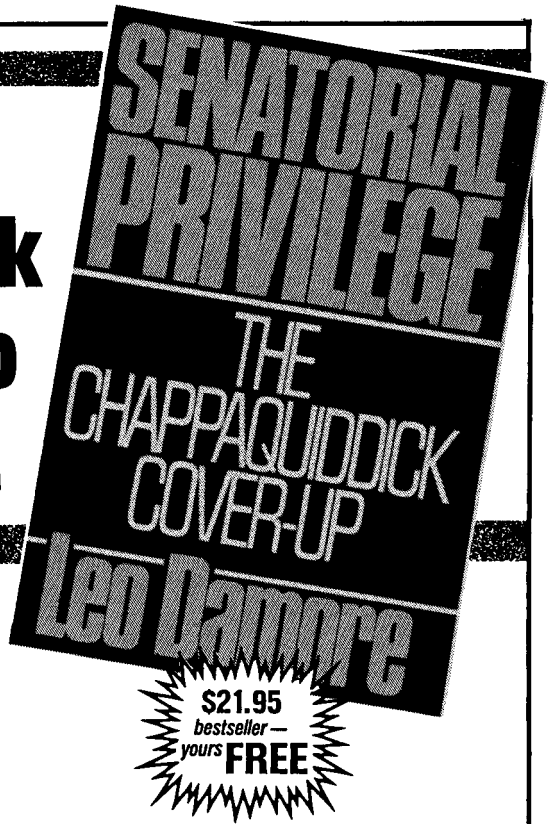
The gist of Sullivan's message is this: The less drug use, the better. For NIDA Director Charles Schuster, who still sees the nation progressing toward the chimerical goal of "a drug-free society," this is self-evidently true. For the rest of us, it's not so obvious.

People who get stoned or drunk every day are probably in trouble. And it's generally a bad idea for children to use drugs, so the drop in the number of teenagers who report pot or cocaine use is encouraging. But when the government subsumes an adult's occasional joint or glass of wine under the category of a public-health problem, the appropriate response is: *Please. Get real.*

It's not just that most of the activities that NIDA tracks are not troubling in themselves. As the agency's own statistics show, they're not even good proxies for things that *are* worthy of concern. In recent years, the figures show casual use and heavy use moving in opposite directions. Studies of drinking have found that abuse is not necessarily proportional to use. Targeting the wider behavior is not only inefficient; it may actually make the problem worse by eliminating examples of moderate consumption.

Sullivan invokes "the power of personal responsibility." But responsibility is based on distinctions—between use and abuse, self-regarding behavior and behavior that affects others. Sullivan ignores these, instead promoting a fuzzy-minded abstinence that evades responsibility.

Despite a media brownout, this book fought its way onto the bestseller lists.



And when you read what it reveals about Teddy and Chappaquiddick, you'll see why.

Ray Kerrison explains it all in his *New York Post* column:

"The biggest surprise — and scandal — of the publishing season is the public's extraordinary demand for a book exposing Sen. Edward Kennedy's fatal escapade at Chappaquiddick, despite a review blackout by the nation's media giants.

This book is titled *Senatorial Privilege: The Chappaquiddick Cover-Up* (Regnery Gateway, $21.95). Written by Leo Damore, it made the *New York Times* non-fiction best-seller list yesterday for the eighth straight week.

Yet the . . . *Washington Post, Los Angeles Times, Boston Globe, Time* and *Newsweek* have all boycotted it.

The media blackout is all the more suspicious because Damore's account is a meticulous examination of what happened at the bridge and the aftermath. It was written with the cooperation of Joseph Gargan, a Kennedy cousin, who was involved in the nightmare. . . .

Damore's book leaves no doubt that: a) Kennedy left the party for a romantic interlude; b) he was drunk; c) he drove off the bridge at considerable speed; and d) his license had expired five months earlier.

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LETTERS

Food Fight

Thomas J. DiLorenzo ("Turning Back the Clock," Nov.) called the Bush administration's antitrust policy a retreat from the economic common sense championed by the Reagan administration. Mr. DiLorenzo uses as his sole support the Federal Trade Commission's action challenging Red Food Stores' acquisition of the Chattanooga Kroger supermarkets.

President Reagan appointed all of the commissioners who voted to challenge the acquisition. Later, Bush appointees approved a settlement of the complaint that the Reagan-appointed commission had issued.

Additional inaccuracies and half-truths fill the article. For example, the FTC *never* alleged that competition and low prices kept new supermarkets from entering the Chattanooga market. The FTC challenged the acquisition because it unduly increased concentration in the Chattanooga market and made entry difficult. Indeed, Red Food Stores' internal documents showed that it made the acquisition to preempt entry and expansion by its competitors. Red Food did not have any efficiency reasons for buying additional stores.

In addition, the commission did not overlook past entry by "grocery giants" A&P, Winn-Dixie, and Giant Foods into Chattanooga. These and other chains were not successful, suggesting that entry into the market was not easy.

Finally, Mr. DiLorenzo refers to a Chamber of Commerce survey for *one quarter* in 1988 showing low grocery prices in Chattanooga. Yet before that quarter, surveys usually showed that Chattanooga's grocery prices were higher than its general cost of living index. In fact, in 1987, Chattanooga's grocery prices were higher than the nation's average.

The FTC is committed to enforcing the antitrust laws in ways that make economic sense and benefit consumers. The commission places great weight on the 1982 Department of Justice *Merger Guidelines* when deciding whether to challenge an acquisition. As the guidelines note—and our actions support—concentration figures alone do not make a merger anticompetitive. The commission made the right decision to challenge the acquisition and to accept a settlement that will increase competition in the Chattanooga market.

Kevin J. Arquit
Director
Bureau of Competition
Federal Trade Commission
Washington, DC

Mr. DiLorenzo replies: Rather than defending the Bush appointees to the FTC, Mr. Arquit has damned them with his faint praise of their actions in the Red Food case. He boasts that the only action taken by the Bush appointees "was to approve a settlement of the complaint." But the "settlement" was apparently forced on Red Food after a district court judge had thrown the case out, arguing that "the FTC has not shown a likelihood that Red Food, if it acquires the Kroger stores, will be able to exercise market power." The judge also noted that the merger would save 400 jobs.

Former FTC chairman and Reagan appointee Daniel Oliver strongly objected to bringing the case in 1989 on the basis that it "was not supported by commission precedent, applicable case law, economic theory or the realities of the Chattanooga market....It's a throwback to an earlier era when the commission was more concerned with abstract measures of concentration than with competitive realities and consumer welfare."

Bush antitrust appointees have reverted back to the "bad old days" when market concentration was used (and

abused) as a measuring rod of competition. Mr. Arquit's reference to "unduly increased concentration" implies that he possesses special knowledge of the "correct" amount of market concentration. The idea that any individual can possess such knowledge is an example of Hayek's "fatal conceit," which pervades antitrust thinking, especially among lawyers.

Mr. Arquit's condemnation of Red Food on the grounds that its "documents showed that it made the acquisition to preempt entry" suggests he believes that a company can be found guilty of violating the antitrust laws merely by having the "wrong" intentions, as defined by government overseers, regardless of the *effects* of its actions. It is ominous that antitrust regulators like Arquit believe in prosecuting businesses based on presumptions about the businesses' intentions rather than their actual behavior.

Mr. Arquit displays a misunderstanding of basic economic principles when he says that Red Food "did not have any efficiency reasons for buying additional stores." Voluntary trade is efficient whenever both traders are better off—otherwise they wouldn't trade—and no one is worse off. The Red Food merger was certainly efficient in this sense.

The grocery business also has significant economies of scale. Red Food uses a low profit margin/high volume pricing strategy; the merger would have increased its volume, making it easier to pursue this low-price strategy, all to the benefit of consumers.

Because several large food chains have left Chattanooga, argues Mr. Arquit, "entry into the market was not easy." But the exit of those firms is evidence of what a low-price competitor Red Food was. It was in fact widely reported in the local media that the FTC accused Red Food of charging excessively low prices. Consumers benefited because "entry was not easy," for low prices made (and still make) entry difficult. If Red Food charged monopolistic prices, as Mr. Arquit suggests, entry would be very easy indeed.

As to Mr. Arquit's statement that in 1987 grocery prices in Chattanooga were above the national average—so what?

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Hussein and Arafat – Birds of a Feather

How they engineered the bloody events in Jerusalem

On Monday, October 8,1990, on the Jewish festival of Succoth, about 20,000 Jews assembled for prayer at the Western Wall in Jerusalem, the holiest place in the Jewish religion. Two mosques are also located on Temple Mount, high above the Wall. Because of the indulgence and respect for other religions, the Israeli authorities allow them to operate freely and fully under the jurisdiction of Moslem religious authorities. Suddenly and without any provocation, whipped into a frenzy by their clerics, a raging mob of 4,000 Moslem Arabs stormed out of the mosques and loosed a barrage of rocks, bricks, and Molotov cocktails on the worshipping crowd below them. Twenty-eight people were severely injured. By miracle, nobody was killed. The mob then attacked the Israeli police post and set it afire. The police responded, first with tear gas and then rubber bullets. When those ran out and when 40 police were at the point of being lynched they opened fire with live ammunition. Twenty Arabs died and twenty martyrs had been created.

What are the facts?

■ There is no question in anybody's mind that the bloody incident was engineered and organized by Saddam Hussein, the "Butcher of Baghdad", and Yasser Arafat, the master terrorist and "president" of the non-existent state of "Palestine'. After virtually every Arab leader has turned against Hussein, Yasser Arafat remains steadfastly loyal to him. And why not? Both have the destruction of Israel at the very top of their agendas -- in fact Arafat has no other agenda; he surely doesn't care at all about the fate of Kuwait. The bloody incident on the Temple Mount served the purposes of both. They rightly expected that it would take, at least temporarily, the heat and the focus off Saddam Hussein and had the potential to weaken the tenuous common front between the United States and our newfound Arab "allies". As to Arafat, the incident was certain to put the "Palestinian problem", which because of the troubles in the Gulf had taken a back seat, once again into the spotlight. That twenty Palestinian Arabs had died was a small price to pay, because human life is cheap for both Hussein and Arafat. Naturally, they had hoped that a few hundred Jews would also die in that fusillade of rocks. But, by great good fortune, that turned out not to be.

Birds of a Feather: Saddam Hussein and Yasser Arafat, two enemies of the U.S. in loving embrace.

■ One of Saddam Hussein's and Yasser Arafat's main themes is the linkage of any possible withdrawal from Kuwait with a demand for Israeli withdrawal from the "West Bank". This is a ludicrous proposal and, so far at least, most of the Western world has called it just that. If the world's minorities problems must be solved, why not address the "Irish question", which has been festering for centuries? Why not settle the age-old grievances of the Basques, those of the ethnic Albanians in Yugoslavia and, closest to home and right in Iraq, the justified despair of the Kurds, whose aspirations Saddam Hussein "solves" by poison gassing thousands, and by forcefully relocating the rest? Iraq has annexed Kuwait in an act of aggression motivated by greed. Israel came to administer (not to annex!) the "West Bank" and the Gaza strip as the result of its victory in the Six-Day War. Israel has always been ready to negotiate the ultimate status of these territories. It promised to do so in the Camp David Accords as the result of which it also returned the vast Sinai Peninsula to Egypt.

By his actions and by his statements, Yasser Arafat has clearly demonstrated that he is a bird of the same feather as Saddam Hussein. Arafat's immediate ambition is to shift the focus of interest from the Gulf to Israel, in order to gloss over the crimes of Hussein, to change the conflict of the World vs. Iraq into the conflict of the Arabs vs. Israel, and thus to break up the fragile coalition between the United States and its Arab "allies". The recent bloody incidents in Jerusalem were clearly provoked for that purpose by Arafat and the PLO, in connivance with Saddam Hussein. Regrettably, the United States in great haste, without even ascertaining the facts, and in order to curry favor with our new Arab "allies" (among them the murderous Syrians), introduced a resolution into the Security Council of the United Nations that condemned Israel's actions.

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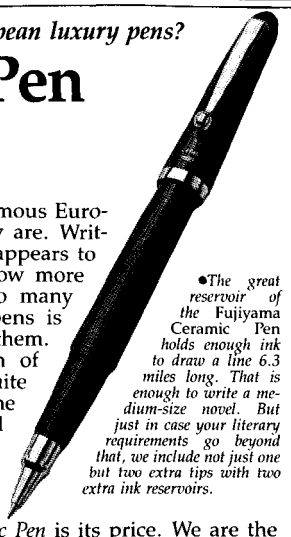

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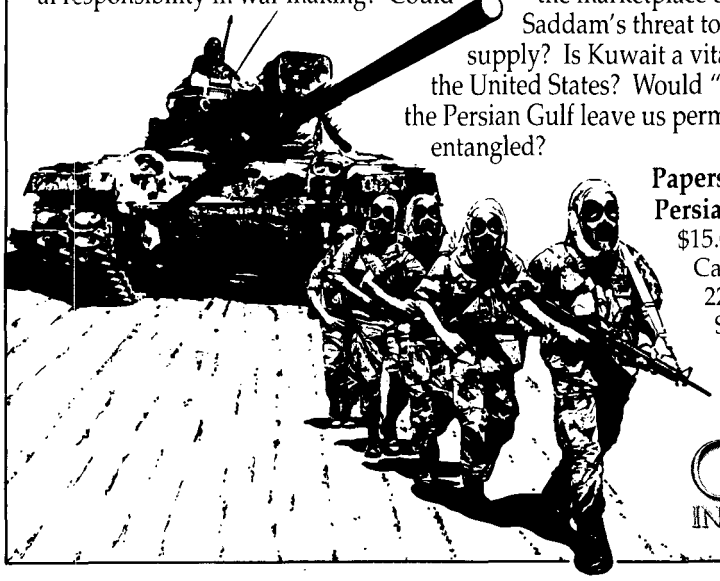

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LETTERS

Relative prices are always changing in a competitive economy. Such aggregate statistics, uninformed by sound economic reasoning, are useless.

Not in the Plan

William D. Eggers's article, "Pruning The Plan" (Dec.), about population growth and land-use planning in Fort Collins, Colorado, revealed his (and your) bias in the subtitle, "When No-Growth Sentiment Threatened To Choke Prosperity...." There is a definite relationship between population growth and prosperity, but it is an inverse one. As an example, I cite the current winner in the "economic development" contest: Japan. It has one of the lowest population growth rates in the world and virtually no immigration. Switzerland is another example. There are no examples I know of that would prove growth produces prosperity. Certainly some land speculators and developers get rich, but the key question is, Who profits and who pays?

Mr. Eggers quoted me incorrectly and out of context in the beginning of his article. It would appear that was done intentionally to make me seem like an unreasonable extremist because later he strongly implies that those of us opposed to growth are zealots, closet racists, communists, misanthropes, and radical environmentalists.

Eggers was apparently bamboozled into thinking that the growth here is occurring in a free marketplace with minimal government interference. Nothing could be further from the truth.

Of course the Chamber of Commerce is pushing for more growth, and it is supported with thousands of dollars in tax money paid by the city, school district, etc. in the form of dues. Also, the real estate salesmen and developers are chasing smokestacks with their own self-styled "Fort Collins, Inc.," which they fund with around a quarter of a million dollars a year in order to generate growth. The city has one full-time and several other deeply involved staff members paid with our tax money to work on

"economic development," which is "Chamberspeak" for "generate growth."

Fort Collins is growing because it is profitable for developers. Our politicians are not making growth pay its own way and are forcing all of us to subsidize it. Recent bond issues for a new county jail and new schools are an example. There should have been an impact fee on new construction to collect up front from the newcomers who have generated the need for this new public construction. Instead, this debt is being spread to all of us and passed on to future generations.

The bonded indebtedness of Fort Collins in 1989 was over 41 times greater than it was nine years ago. That does not include our share of debt through the school district or the county. That does not include bonds issued for water, sewer, and storm drainage. It does include nearly $70 million in bonds issued to subsidize an Anheuser-Busch brewery. Are taxpayer subsidies like that your idea of a free-market economy? If we made growth pay its own way up front, with impact fees, we would find that growth is not so inevitable after all.

Thomas P. McKenna
Fort Collins, CO

WILLIAM D. EGGERS'S article is fraught with errors and misconceptions. Not only is it completely slanted in favor of the development community, it is patently unfair to the residents of Fort Collins who are concerned enough about the negative effects of growth to spend free time working on growth- and development-related problems.

Pikes Peak is 120 miles from my home and cannot be seen from any point in the subdivision, let alone the living room of my home. I am 56, not in my mid-60s, nor have I lived in Fort Collins for 42 years (28 actually). Developments ascribed to the Land Development Guidance System—Woodward Governor and Hewlett-Packard—were built years before the LDGS existed. In the words of a local resident not quoted in Eggers's tirade and who is not a member of Citizen Planners, "The LDGS is a bureacratic sop rather than an effective planning tool." The sys-

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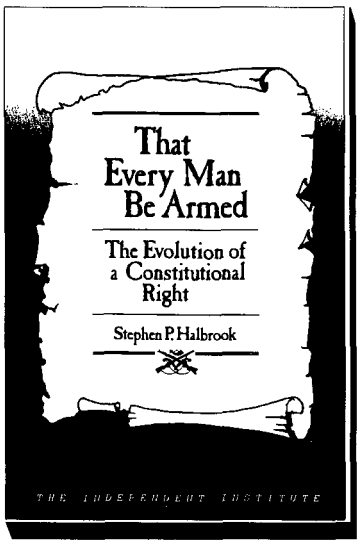

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LETTERS

tem does have virtues, but it is not faultless. It is neither necessary nor sufficient for quality development.

Chuck Mabry was never mayor of Fort Collins. Citizen Planners is not antigrowth; group members represent a reasonable cross-section of the community. Many are concerned about the loss of quality of life in neighborhoods caused by the intrusion of noncompatible industrial and commercial development into the city's residential neighborhoods. Mixed use has several benefits, but there isn't any tangible evidence that it works as stated by planners or developers.

Eggers's vicious character defamation of those who favor slow growth or those who think growth should pay its own way is completely unwarranted and unjustifiable. To characterize cautious, middle-of-the-road liberals as communists, racists, and radical environmentalists is silly and unconscionable. If Eggers would have presented the facts rather than one-sided fantasies, other articles in your magazine would be more credible.

Arthur Judson
Fort Collins, CO

Mr. Eggers replies: I apologize for inaccurately reporting Mr. Judson's age, and it was Longs Peak, not Pikes Peak, that I observed from the prairie near his home. Furthermore, former Assistant Mayor Chuck Mabry was misidentified as a former mayor due to an editing error.

I cited Woodward Governor and Hewlett-Packard as examples of successful mixed use. Nowhere in the article did I say that these developments resulted from the Land Development Guidance System.

Nor did I "characterize cautious, middle-of-the-road liberals as communists, racists, and radical environmentalists." I did note, however, that the slow-growth movement in the United States has attracted many varieties of people, including leftist greens, communitarian conservatives, closet racists, and even two-car suburbanites. While Mr. McKenna or Mr. Judson may disagree with this assessment, surely it is not "silly and unconscionable" to observe that many growth controllers fit one or another of these profiles. In any case, I went out of my way to state that Mr. Judson is neither a misanthrope, a radical environmentalist, nor a racist.

Mr. McKenna's implicit argument—that slow population growth leads to prosperity—is unconvincing. Indeed, all the data indicate the reverse, that prosperous people tend to have fewer children, both because they have better access to birth control and because the labor power of their offspring is not crucial to the family's economic survival.

Most of the growth-promoting activity to which Mr. McKenna objects is privately funded and organized. As to the city's role, my position is that government should not subsidize growth. But neither should it force developers to subsidize current businesses and residents. Developers should pay their own way, but they should not be forced to cover the cost of parks, schools, museums, and other facilities not directly related to their projects. (Incidentally, the Anheuser-Busch brewery seems to represent a net gain for the city, since the tax revenue it generates far exceeds the financing costs associated with the bond issue.)

Mr. McKenna and Mr. Judson are off the mark when they accuse me of pro-developer bias. In fact, as I indicated in the article, I have a great deal of sympathy for those who seek to preserve the integrity and livability of their neighborhoods. I believe the best way to do this is through private arrangements such as land covenants, not through political coercion. When land-use issues are dragged into the political arena, the result is often a taking of property. It's ironic that, as Americans are telling East Europeans that private property rights are the key to economic reform, we are witnessing an erosion of those rights in our own country.

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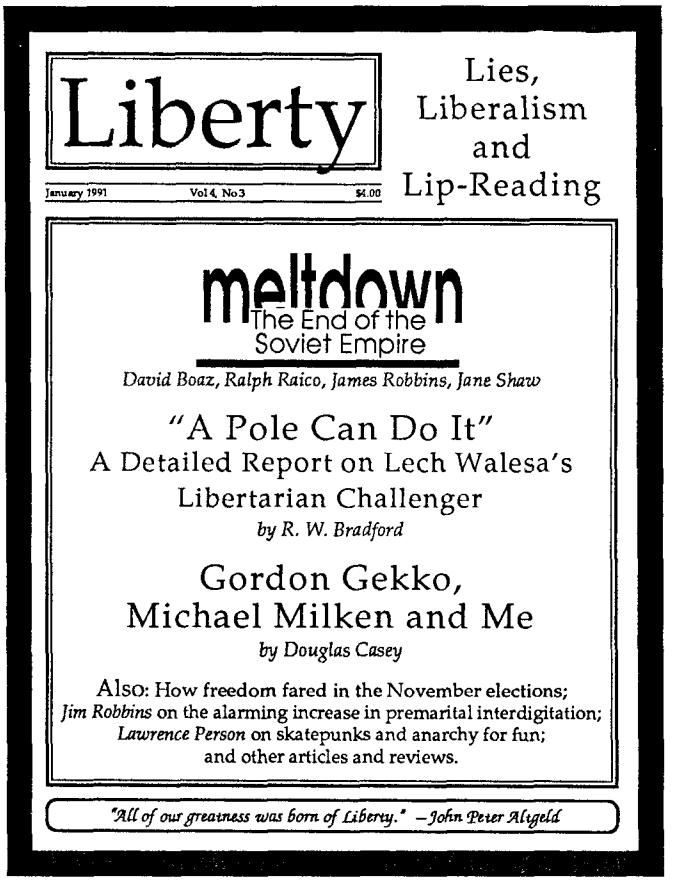
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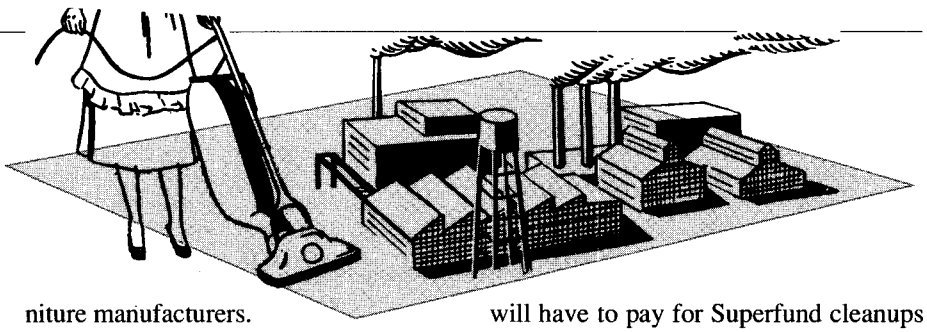


Financial reporters complain that tight monetary policy may stifle any recovery from the current recession. But another impediment may dwarf the credit crunch for lenders and borrowers: liability for environmental cleanups.

Federal regulations require property owners to clean up land contaminated with hazardous wastes. To avoid liability for toxic cleanups, a bank must also test the soil and ground water on a parcel of land before it offers a mortgage on it. But regulators increasingly force banks holding foreclosed properties to pay for waste disposal—even if the banks didn't do the dumping. Banks, fearing liability for cleanups, now hesitate to lend money to businesses that handle dangerous materials.

The *Wall Street Journal* cites as an example Miner's Bank of Butte, Montana, which foreclosed on a piece of property after it discovered the business there contaminated the site with hazardous materials. Environmental regulators say a cleanup will cost $10 million—and Miner's Bank (with only $2.5 million in working capital) has to help pay for it.

While lenders can't be held liable for cleanup costs if they simply hold a mortgage on a piece of property, they *can* be responsible if they foreclose the mortgage. In May 1990, the 11th Circuit Court of Appeals stated that as long as a lender holds a mortgage it has the opportunity to influence what a borrower does with his property. The Court said ensuring proper waste disposal is part of this responsibility.

Bankers from Indiana and Massachusetts have testified before Congress that they may stop lending money to businesses that handle potentially hazardous materials, such as dry cleaners, electric platers, wood finishers, and furniture manufacturers.

Government lending agencies aren't exempt from liability. The Small Business Administration holds leases or mortgages on 150 properties in 35 states with toxic cleanup problems.

And Kent Jeffreys, environmental policy analyst at the Competitive Enterprise Institute in Washington, D.C., notes that the Resolution Trust Corp. faces liability problems with foreclosed property from failed savings-and-loans. Jeffreys says taxpayers, through the RTC, will have to pay for Superfund cleanups or asbestos removal on foreclosures.

Rep. John LaFalce (D-N.Y.), chairman of the House Small Business Committee, plans to introduce a bill that would relieve lenders of the responsibility to clean up foreclosed property. But the Natural Resources Defense Council and other environmental groups want any legislation to force private lenders and government agencies to retain some liability on foreclosures.

—Rick Henderson

Gaining Ground

Republicans vow to enact a capital gains tax cut this year. They say that it's needed to jump start the economy. Democrats say the cut will only help the rich. Who's right? Well, consider the capital gains rates in the following countries, and ask yourself which have the more vibrant economies.

Worldwide Capital Gains Tax Rates

Country	Maximum Long-Term Rate
United States	33 percent
United Kingdom	30 percent
Sweden	18 percent
France	16 percent
Japan*	5 percent
Germany	Exempt
Hong Kong	Exempt
Singapore	Exempt
South Korea	Exempt
Taiwan	Exempt

* Japan had no capital gains tax until 1989.

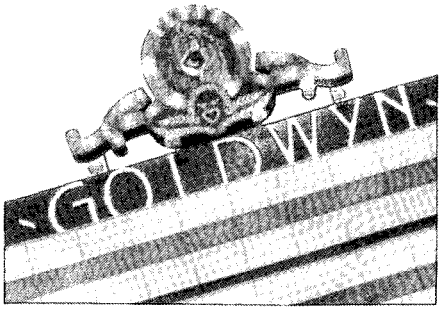
Source: Forecasts & Strategies

Star Wars

The four major television networks believe that Matsushita Electric Industrial Co.'s acquisition of MCA Inc. (parent company of the movie studio Universal) will help them in their quest for further deregulation.

Specifically, they believe that the purchase of another film company by a foreign firm will help them win repeal of the 20-year-old Financial Interest and Syndication Rules. These federal rules block networks from entering the $3-billion-a-year syndication market and place strict limits on the amount of non-news programming a network can produce in-house.

(Until this year, the Fox network was exempt from the rules because it did not air enough hours of programming to qualify as a network. But now that Fox has expanded its program lineup, it may have to spin off the television production arm of its Fox studios unless the fin-syn rules are repealed.)



Leo the Lion now roars in Italian.

The Federal Communications Commission has wanted to repeal the fin-syn rules for almost eight years now. However, the powerful Motion Picture Association of America—whose members produce most prime-time series—has opposed the move. The FCC brought the two groups together last summer to work out a compromise, but the talks fell apart.

Now, with four of the eight members of the MPAA controlled by foreign companies, the political tide may have turned in favor of the networks. In particular, the networks have struck a populist nerve by noting that they are interested in acquiring studios and could prevent them from being bought by foreigners, but the fin-syn rules effectively block any network-studio merger. After Italy's Pathe Communications acquired MGM/UA, NBC sent pizzas to 90 key legislators with a note saying that "While NBC can't yet have a piece of the pie, you can."

This is probably more than political gamesmanship. There have been rumors in Hollywood of a Disney-CBS merger for over a year. And ABC is said to be interested in acquiring Paramount. The Matsushita buy-out of MCA may ultimately give them the opening they need.

—Charles Oliver

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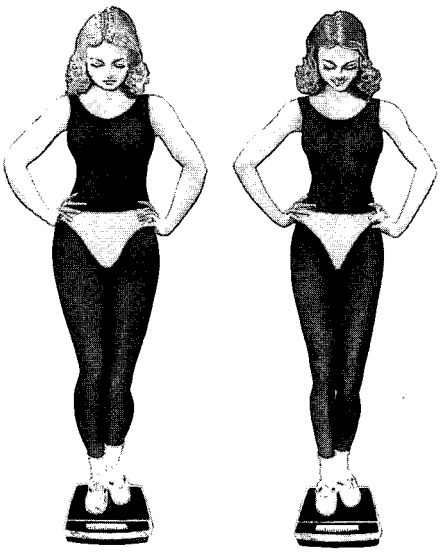
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BALANCE SHEET

Assets

Dying Request. A Missouri judge allows Nancy Cruzan's family to remove her feeding tube. (See "Family Matters," Nov. 1990.) And, since assisting suicide doesn't violate Michigan law, a state court throws out first-degree murder charges against the "Suicide Doctor," Jack Kevorkian. (See "Suicide Solution," Aug./Sept. 1990.) The right to die may quickly gain some legal underpinnings.

Withering Support. The German Green Party loses all 42 seats in parliament, getting less than 4 percent of the vote—half the support it received in 1987. Green opposition to a unified Germany displeases the electorate. The *Communists* get more votes than the Greens. Ah, democracy!

Major Success. Margaret Thatcher's successor launches the U.K.'s biggest privatization effort to date. Britons buy 2 billion shares of the state-owned electric company. The shares are so popular that the government offers 55 percent of the company (instead of its planned 34 percent) to individuals. Even so, only 25 percent of these entry-level capitalists get all the shares they want. Would somebody sell this idea to George Bush?

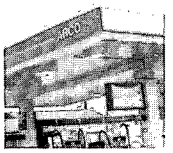
Government Check. Last spring, the Supreme Court ruled that U.S. District Judge Russell Clark couldn't double property taxes in Kansas City to pay for desegregated schools. (See "Judges as Taxmen," Jul. 1990.) Now Clark orders a $10.7-million tax refund. But the Court still holds that judges can levy *some* taxes. A test for David Souter on separation of powers should follow.

Liabilities

Stick Up. Residents of the District of Columbia can rest easier: If you're shot by an AK-47 there, you can sue the gun's manufacturer for making an unsafe product. Michael Beard of the Coalition to Stop Handgun Violence says: "These weapons are so dangerous that the manufacturers and dealers have to know they are going to be used to kill people." I'll notify the media.

Options Extra. After his network pays the Soviet government $12 million, a Japanese journalist conducts live broadcasts from the Mir space station. But once in orbit, the Soviets demand an extra $100,000 an hour for cosmonaut assistance. The Soviets aren't too clear on that contract thing, but a network official says, "We would never have been able to work out such a flight with NASA" and its bureaucracy.

Spill Protection. The California Supreme Court rules that businesses can recover environmental cleanup costs from insurance companies. Atlantic Richfield Co. sues 70 insurance carriers for cleanups dating back to the 1930s. Thanks to Superfund, most insurers stopped writing such policies a decade ago. But Marc Rosenberg of the Insurance Information Institute says deep pockets rule: "Get the polluter to pay, and if he *can't*, get the insurer to pay."



Market Forces. European protectionists sabotage GATT. Now they may deep-six the single continental market. State-run auto manufacturers and airlines won't abandon their monopolies without a fight. Restrictions on the size of auto dealers and on advertising across borders, *Fortune* reports, cause prices for identical cars to vary by as much as 60 percent before taxes. Import quotas cost European car buyers $33 billion a year. But you can get a great deal on a Fiat.

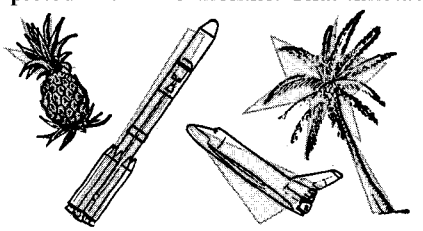
—Rick Henderson

Payloads in Paradise

The nation's 50th state could be the home of its first private spaceport by the middle of the decade.

Hawaii's Office of Space Industry is considering two possible sites, both on the southeast coast of the Island of Hawaii, for a privately constructed and operated spaceport that would launch commercial, scientific, and government payloads of up to 18,000 pounds into low earth orbit. The OSI expects to choose a site and complete an environmental impact statement by the end of 1991.

The state will then purchase the necessary land—several hundred acres—and lease it to a private consortium that has yet to be selected. OSI Director George Mead says the project should be under way by early 1993 and could be completed within 18 months. That timetable



would probably make it the first facility of its kind in the world.

The current spaceports—in French Guyana, China, Japan, the Soviet Union, and the United States—are all government-controlled. Scientists and businesses look to private spaceports for cheaper and more reliable service. Companies are already planning to build spaceports in Australia, Brazil, and Indonesia.

In the middle of the Pacific Ocean and near the equator, Hawaii is well located for orbital launches. Gov. John Waihee first announced plans for the spaceport in 1987; the OSI was created the following year.

Mead says the facility likely will include one pad each for Delta and Atlas rockets, allowing 10 to 12 orbital launches each year. It will also launch sounding rockets for atmospheric measurements and microgravity experiments.

—Jacob Sullum

The Libertarian Publication "You're Nuts To Pass By"

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BRICKBATS

"Baghdad Betty" is the name given to the woman whose radio broadcasts from the Iraqi capital are supposed to demoralize U.S forces stationed in the Middle East. A typical Betty tirade: "Why are you Americans here? Don't you know you will die in the desert. While you are here, your wives and girlfriends are dating American movie stars. Movie stars like Tom Selleck, Paul Newman, and Bart Simpson."

The Army has rejected an offer to send *Boxing Illustrated* to the troops because Saudis consider the magazine's photos of shirtless men pornographic. I guess a subscription to *Juggs* is completely out of the question.

Speaking of Saudi Arabia, the government there turned a religious rule prohibiting women from driving into a secular restriction following a mass demonstration by women drivers. The Saudi interior minister said, "Women's driving of cars contradicts the sound Islamic attitude of the Saudi citizen, who is jealous about his sacred ideals." In related moves, the Saudis banned laying hats on beds because it brings bad luck, milking cows after sunset because it makes them go dry, and whistling in the house because it "summons the little evil ones."

The autobiography of the Bushes' pet dog, Millie, is handily outselling Ronald Reagan's autobiography. Ever protective of her man, we imagine Nancy Reagan complained, "That bitch just had better marketing."

In Daytona Beach, Florida, James and Mary Seay are now on a government child-abuse registry. An anonymous caller told welfare workers that the Seays lock their child, Princess, in the bathroom when they are away. There's just one catch: Princess is a raccoon. The Seays explained the facts to the state Health and Rehabilitative Services investigator who visited them, and they even showed Princess to him. But the HRS still ordered the Seays to come in for child-abuse counseling and placed them on the registry. They had to; it's Florida law. What a state! Raccoons are children, and the law is a ass.

Also in Florida, Jack Thompson, the anti-obscenity zealot who engineered the campaign against The 2 Live Crew, is now going after Madonna. Thompson is all hot and bothered by her new video "Justify My Love." He told the *Los Angeles Times*, "Madonna better fasten her seatbelt because she's going to get a spanking and not the kind she likes." Oooh, kinky!

The family of Cynthia Barrientos has filed a product-liability suit against Matsushita Electric Industrial Co. Barrientos died in 1986 from injuries received when a Panasonic television (manufactured by Matsushita) exploded. At the time of the accident, Barrientos was in the home of neighbors who were arguing. During the argument, one of the neighbors threw a bottle of cologne that hit the TV, breaking the picture tube and spilling ethyl alcohol into the tube. The alcohol was ignited by the electricity in the tube. The suit alleges that the TV was defectively designed and unreasonably dangerous. Matsushita claims that this set of circumstances was "bizarre" and couldn't reasonably be anticipated. At the very least, however, they should have attached a sticker that read, "Warning: If you get into a fight with your spouse, break the picture tube, and pour alcohol into it, you might blow up your neighbor."

At his annual Christmas party, Sen. Edward M. Kennedy (D-Mass.) always likes to dress up as a person in the news. This past Christmas, Kennedy donned hair extensions, gold earrings, and tights and came as half of Milli Vanilli. (I didn't make this up.) Ted Kennedy in tights? If that doesn't put you in the holiday mood, nothing will. Maybe this year, Ted should lay off the egg nog.

—Charles Oliver

1991 Tax Reform Makes Forming Your Own Corporation Once Again The Ultimate Tax Shelter

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"S" Corporation Strategy

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Now I've completely revised and updated the book to show the latest tax advantages and demonstrate how easily you can form your own corporation and partake in the enormous tax benefits.

All you need is right in this handsome oversized, 8 1/2" X 11" book along with a bonus I'll send you *absolutely free*.

My book contains tear out forms. Just fill them in according to my simple step by step instructions and send them in. Right off, you'll save from $300 to $2,500 in legal fees, and in a few days, you'll have your own legally recognized corporation. And you can begin to take advantage of a host of benefits like these...

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WAR IN FROM THE COLD

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Virginia Postrel: Where is the world headed in the post–Cold War era, in the absence of political or military intervention by the United States or other countries?

Charles Krauthammer: In the absence of a world order imposed by the West—because there really is no one else to impose it—I think it would be chaotic, and highly dangerous. The most salient feature of the international environment in the post–Cold War era will be the possession of weapons of mass destruction and the means to deliver them by a range of countries, some of which will be unstable, aggressive, and reckless. Saddam Hussein is a harbinger of that. He is the prototype of the threat. Oil states can accelerate history because they can acquire vast wealth and import technology in a way that other smaller countries can't.

Ted Carpenter: The post–Cold War world is going to be a classic case of good news and bad news. The bad news is that it is going to be a terribly disorderly place regardless of what the United States does. I don't think the United States or any other power, or probably any combination of powers, will be able to impose order on this rather fractious international system.

The good news is, though, that we also will not have to deal with a would-be hegemonic rival like Nazi Germany or the Soviet Union. Consequently, most of the so-called threats that we will encounter in the post–Cold War era will not be pertinent threats, but rather what the editor of *Foreign Policy*, Charles William Maynes, has described so appropriately as impertinent threats. That is to say annoyances, a lot of petty local and regional quarrels and conflicts that do not have a great deal of relevance to America's own vital interests. Consequently, it is possible for the United States to adopt a rather aloof strategy.

Daniel Pipes: I think it is premature to dismiss the Soviet Union as a potential hegemonic power. While it is certainly true that there have been stunning changes in the Soviet Union in the last couple of years and that today the Soviet power projection is nothing like what it was just months ago, it is also possible that it may be transient. It may be that a strongman will emerge, military or not, and that the vast military potential that remains in the Soviet Union could be harnessed again to an ambitious program.

Joshua Muravchik: I was struck in Ted's remarks by the absence of gradations. Is there nothing that lies between on the one hand a hegemon, or aspiring hegemon, and on the other hand the most inconsequential disturbance somewhere in some corner of the earth?

Would nuclear war between some states in the Middle East or between India and Pakistan be a matter of indifference to us? Certainly, none of the states in the Middle East or South Asia pose a hegemonic threat to us, but I don't think that is the kind of thing that we would want to just shrug off.

Benjamin Frankel: In some measure I agree that many of these local conflicts, or regional conflicts—that in years past we could have ignored with equanimity—can no longer be ignored because of the development not so much of nuclear weapons, but of missiles, delivery vehicles. India will soon possess ballistic missiles that can reach with accuracy targets six or seven thousand miles away—most of Southern Italy and East Turkey will be within the range of Indian ballistic missiles.

Pipes: That they have developed themselves?

Frankel: Developed with the help of Argentina; and Brazil is working with Pakistan. All I am trying to say is that the minute regional and local powers acquire the delivery means to reach targets thousands of miles away from the region, we can no longer view the conflict as merely regional, because it might expand whether we like it or not.

I was a great supporter of bipolarity. I liked the division between the United States and the Soviet Union, where the Soviet Union could control people like Saddam Hussein. Many of the people who got armed to the teeth during the Cold War remain with their large arsenals and immoderate ambitions, but without the superpowers to moderate them.

Krauthammer: But clearly Iraq went to war with Iran in 1980 at the height of the Cold War. Syria and Egypt went to

Foreign-policy discussions, especially when confined to TV talk shows or newspaper editorial pages, tend to take on a ritualistic flavor. People intone familiar arguments, divide into familiar sides. Rarely do they uncover each other's core assumptions or provoke one another—or the observer—to reconsider old ideas.

Yet with Cold War verities no longer certain, serious discussion is more important than ever. To that end, REASON gathered a group of foreign-policy analysts to discuss and debate what U.S. policy should be in the post–Cold War era—to address each other directly, to explore differences and find similarities, to reveal one another's premises about the shape of things to come and American ability to alter that shape. Our goal (though not necessarily that of the participants) was not to come to any particular conclusion. It was to challenge our readers to think about their own ideas on the subject.

Thinking about foreign policy is especially difficult, and important, for people who value individual liberty. By its very nature, foreign policy involves collective, not individual, action; in the modern world, it is conducted by nation-states. In the realm of foreign policy, not only action but inaction can have serious and unforeseen consequences. Here, we begin a discussion that will continue in future issues of REASON.

Our symposium was held in Washington, D.C., in early December. The participants were:

- **Ted Galen Carpenter, director of foreign policy studies at the Cato Institute;**
- **Benjamin Frankel, editor of Security Studies;**
- **Charles Krauthammer, a syndicated columnist who writes frequently on foreign policy;**
- **Joshua Muravchik, a resident scholar at the American Enterprise Institute and author of the new book Exporting Democracy;**
- **Daniel Pipes, director of the Foreign Policy Research Institute and author of five books on the Middle East.**

war against Israel in '73 while Syria was a client of the Soviets. Israel as a client of the U.S. has not always behaved the way America wants. So there was somewhat of a moderating influence, but it wasn't an absolute one, or in any way decisive.

In the absence of the Cold War rivalry, countries like Iraq are somewhat free to act. However, they face now what could be a coalition of great powers—the United States, the Soviets, Western allies. These small countries can now be absolutely stopped in their tracks, or almost totally restrained, in a way that they could never be when every country had a patron.

Pipes: I would challenge Ben to come up with cases where the bipolarity really served as a moderating force.

Frankel: Some 40 or 50 countries have been able over the last 40 years to develop nuclear weapons. Only nine did, five overtly, four covertly. The most important variable for countries that did not go ahead with their own nuclear weapons was the security guarantee given them by the United States or the Soviet Union—countries like Taiwan, South Korea, Japan.

Almost by definition, in a multipolar world, countries do not give credible guarantees to their clients and clients do not take these guarantees as credible, simply because alliances shift constantly. In a multipolar world, a country like South Korea, believing itself to face a huge adversary to the north—China and North Korea—is not going to take a guarantee by Britain, or Western Europe, or Germany to be as credible as a U.S. guarantee in a bipolar world. Which leads me to the conclusion that one of the things we are going to see within the next 10 to 15 years is a very rapid and intense proliferation of nuclear weapons, initially for defensive purposes. Most of the countries which will acquire nuclear weapons face very large conventional adversaries, and they cannot compensate for this conventional disparity.

William Safire only last week wrote about Saudi Arabia very delicately engaging in negotiations with China to acquire a couple of nuclear bombs for defensive purposes when we withdraw our 400,000 troops. We are going to see a world in which ancient rivalries and regional conflicts, which have been somewhat subsumed under the East-West conflict, come to the fore again. But this time the local participants are equipped—initially, for defensive purposes—with nuclear weapons.

Carpenter: We are certainly going to see a period of greater proliferation of weapons of mass destruction, not just nuclear weapons, but also chemical and biological arsenals. But, to me, that is an argument for the United States not to try to play the role of planetary policeman. The only thing that I would regard as more unwise than intervening in a regional conflict between conventionally armed powers would be to intervene in a conflict where the parties have nuclear capability.

Krauthammer: We should try to use the next decade or two of unipolarity to make sure that the multipolar world—which is inevitable in a generation or two—is not going to be a world of utter chaos. That must not be a world, as Ted implies, where the regional powers are going to be facing each other, everybody armed with nuclear weapons. We have a chance for a decade or two to impose a regime which would obviate that.

We can make an example of Iraq. I think we will set back this day of universal proliferation quite a long time, and our weight will be respected throughout the world, whereas it will not be if we withdraw and surrender in the Gulf. It doesn't have to be with our military might. It might happen through surrender without firing a shot. But if we make an example of Iraq, and people know that there is a policeman in the world, then I think we can create in this unipolar moment a world order which would make the world a hell of a lot safer.

Carpenter: I think that is an admirable objective, but it is a profoundly dangerous illusion. We have to assess what kind of policy the American political and economic system will support, and I don't think there is sufficient domestic support now, or in the foreseeable future, for the United States to play the role of planetary policeman.

I think the Bush administration is beginning to find that out in the Persian Gulf crisis. Yes, it is wonderful if we can achieve our objectives there, or anywhere else in the world, without having to fire a shot. But a nation cannot make a commitment on the basis of a bluff. If our measures short of war fail to attain the requisite goal, we are going to be faced with the probability of having to go in militarily and, again, I think that is quite clear in the case of the Persian Gulf.

Muravchik: Charles, I would like to hear you elaborate on why you assume that American hegemony can only last a decade or two.

Krauthammer: Well, I am not assuming it. I am preparing for the worst. It is clear that we are hegemonic now. There is no second-rank power. I am assuming that over the next decade, or two, or three, other powers will catch up. It is hard to predict who it will be. Everybody assumes Germany and Japan, but their performance on the Gulf was so scandalously timid that it is not clear that they will ever want to translate economic into geopolitical power.

It would be nice if we continued for the next century or two to have a uni-

"Regimes which rest on the consent of the governed...are more likely to be peaceful and law-abiding."

—JOSHUA MURAVCHIK

polar system in which, perhaps, instead of one chairman, we have a central committee of great powers. If so, let's set up that structure gradually over time, and let's act in the next decade or two, while we are fairly independent in what we can do, to set an example of how a hegemonic unipolar system ought to work in controlling the regional outbreaks in the world and in keeping the peace.

Postrel: To sustain your vision of the unipolar world, what does the United States do?

Krauthammer: It does, in crises that affect the world, in particular the U.S. and its allies, what it has done in the Gulf. It deploys its economic, political, and military assets in a way to impose its will—let's not be nice about this—on recalcitrant actors who threaten the world system in some way.

It doesn't have to have structures. This time we improvised by using the U.N. structure. That is a little bit constraining, but fine. And, perhaps, over time a U.N. structure, or a NATO/CSCE structure of some sort, can evolve in Europe. It doesn't quite matter what the institutional structure is. What is important is the will. If we have the will to impose our will, as we are doing in the Gulf, in other places where it counts, and we lead where others may or may not follow, then things will get done. Otherwise, we are going to have our multipolar world tomorrow, if we withdraw. And I think all hell is going to break loose if that happens.

"We are going to revert to a semi-anarchic form of multipolarity ...exacerbated by the spread of weapons of mass destruction."

—BENJAMIN FRANKEL

Frankel: When we struggled with the Soviet Union over interests, we tried to bring liberalism, democracy, some more humane governments to those countries we were interested in, especially in the '70s and '80s. I think that our role in that unipolar world will be much more limited to preserving the rules of the game. If you have a very nasty person who plays by the rules, I wouldn't rush in to replace him, or subvert his regime, or what-have-you.

Krauthammer: I would go along with that.

Frankel: Because, again, as the Soviet Union's influence recedes, I believe we will have many ancient conflicts coming to the surface again, as in Eastern Europe. We will have our hands full if we rush into every trouble spot around the world.

Krauthammer: I am not for changing the government of Zaire.

Frankel: Or the government in Hungary if it goes to war with Romania. All I am trying to say is, against the background of some very real economic problems at home, we have to define precisely what it is that we should do. And I say maintain the rules of the game.

Muravchik: If you want to set as objective number one a world of law, that goal is a very worthwhile goal in itself. It is one that the United States has pursued and ought to pursue irrespective of the nature of individual regimes. However, I would argue that there is a second valid goal—not in conflict with that first goal—which is a world consisting of the kind of regimes that by our values we regard as legitimate, namely regimes which rest on the consent of the governed. We have a great body of historical evidence that shows us that regimes of that type are more likely to be peaceful and law-abiding, so pursuing the second goal may well help us in pursuing the first.

I would perfectly well grant—Charles threw out the example of Zaire—that there are any number of countries in the world where the prospects for democratic government sustaining itself at this moment are poor. Even in those countries, I am eager to encourage steps which would make those prospects better. Certainly we serve no purpose if we blindly seek to overthrow dictatorial regimes merely because they are dictatorial without paying some attention to what is likely to replace them. But given that caveat of prudence, I think that the general principle of doing what we can to encourage the proliferation of regimes that rest on the consent of the governed is complementary to striving for a world in which all regimes obey certain rules of law.

Postrel: If you like democracy in Zaire, what gives you the right to decide that Joe Jones in Kansas ought to pay for your fomenting of democracy in Zaire, even assuming that you could be successful at it?

Muravchik: The right seems to me perfectly clear: We are a nation, we have an agreement that there are such things as common purposes, and we have a system of government which is predicated on the idea that if a majority, through our processes of government, decides that certain purposes are in the common interest, such as giving welfare to poor people, or—

Krauthammer: Going to the moon.

Muravchik: Or going to the moon, or whatever in foreign policy, and as long as these common purposes don't involve curtailing the rights of our own citizens, but involve only taxing them, making them contribute some money, it is fundamental to our way of government that we have the right to do that.

Now, ought we do it? I think we ought to do it because it is good, and our common purposes ought to include a certain regard for the well-being of other people. Also, I would argue that we ought to do it because the world is likely to be more benign and more peaceful if it is a world in which democratic

governments proliferate.

Carpenter: This tendency to focus on the "ought" is very insidious. It presumes that the foreign policy of the United States can be simply a wish list of desirable objectives without reference to the costs or the risks involved.

Those of us who favor a minimalist state have a special problem with an activist foreign policy. I find it extremely difficult to support the notion that we can maintain, or in our case actually create, a minimalist state at home while having a large, active, intrusive government abroad. That automatically requires a very large military, high levels of spending, high levels of taxation, not to mention the manifestations of the national-security state that we have had domestically in terms of civil liberties throughout the Cold War. These are very, very real costs.

Krauthammer: I am compelled to respond here on two issues. Number one, the actual cost of maintaining our hegemonic position in the world as outlined by Dick Cheney last year, projecting into 1995—now this is a conservative administration, so this is the outside high estimate—is we are now spending on defense 5.5 percent of GNP. By the mid-'90s that will be at 4 percent. That is astronomically low. It is about half of what was spent in Kennedy's time. It is our pre–Pearl Harbor level. It is certainly not the military-industrial state, or the national-security state that Ted is painting for us here. The cost for a maritime commercial republic—a country like ours dependent on open sea lanes, on open trade, on an open world—of retiring and letting all hell break loose will be far more than any of the actual costs spent on defense today.

Number two, historically this notion that activism abroad implies big government, intrusive government, at home is nonsense. The most active hegemonic power in the world in the 18th and 19th centuries was Britain. It was also the most liberal great power in the world.

Pipes: Ted, you used the word *minimalist* state. Surely you would agree that the first obligation of government is to protect its citizens, and that would be essentially the police force at home, and military force for abroad. That, I would argue, falls within the guidelines of a minimal state—not welfare, not transfer payments, not high taxation, but preserving our liberties, and our freedom of trade.

Carpenter: The problem is that individuals who favor a global interventionist policy define the notion of providing for the common defense in much the same way that those who favor the welfare state domestically define promoting the general welfare. It is so elastic that it tends to encompass everything. I agree, we certainly have to protect the American community, and it is going to be a very dangerous world out there, as it has been throughout most of this century. But we have to establish some sense of what constitute the vital interests of the United States, and not simply launch global crusades in pursuit of either this elusive goal of global stability, or for that matter to promote democracy abroad, however desirable either of those would be.

Pipes: Could you define vital interests?

Carpenter: America's vital interests encompass developments that have a direct, immediate, and substantial connection with America's physical survival, its political independence, and the liberties of the American people. Now, I will grant you, that still leaves considerable room for interpretation, but it is not a blank slate, as we have had for years.

Krauthammer: Given that definition of national interests, is preventing the oil reserves of the Arabian peninsula from coming under the control of a declared anti-Western dictator in the national interests of the United States—does it fall inside or outside of your definition?

Carpenter: In the first place, that depends on the costs and risks of securing that objective.

Pipes: No, that is a different question.

Carpenter: It can't be addressed aside from it, because every goal, in the abstract, might be desirable—

Krauthammer: Look, I am not saying every desirable goal ought to be pursued at any cost. You gave a definition of national interest. I am asking, In that definition does this example fall inside or outside? Then we can discuss the means of dealing with it.

Carpenter: I gave you the conceptual definition of what constitutes a vital interest. The operational definition, of course, is an interest for which the nation is prepared to go to war. In this case, the answer is no, we do not have sufficient interest at stake there to risk a major war in the region. The dominance that Iraq might be able to exercise over the oil supplies of the Middle East is quite limited—I do not believe that constitutes a vital interest of the United States.

Pipes: What about a Saddam Hussein with missile capabilities of 7,000 miles, or whatever?

Frankel: Which he may have in five years.

Carpenter: Which can be neutralized rather easily with an effective missile defense system.

Krauthammer: But you are saying that Saddam today, his control of the Arabian peninsula, is not a sufficient problem that it would rank as a threat to our national interests as defined by you.

Carpenter: That is correct. Saddam poses a regional threat. He does not pose a significant threat outside the region.

Krauthammer: And you see no connection between the security of this region and our national interests?

Carpenter: At most there is a peripheral connection, again, not worth assuming the risk of a major war.

Pipes: Do you see any interest on the horizon becoming vital, assuming that the Soviets are out of the game as our rival?

Carpenter: A possible rise of a would-be hegemonic power in Europe, or in the Pacific Rim, because of the economic importance of those regions. It depends, again, on the specifics of the case.

Pipes: So in the world today, the U.S. has no vital interests beyond its borders?

Carpenter: At present, we do not have interests that would require us taking the risk of war.

Krauthammer: When there was a hegemonic power opposing us in the world and threatening us daily—which you say if it happened in the future would create a circumstance in

which we would have a national interest outside our borders—did you support, for example, keeping our troops in Europe as a defense against this hegemon, or were you in favor of withdrawal?

Carpenter: My quarrel with U.S. policy during the latter stages of the Cold War was not that we did not have vital interests in Europe or the Far East, but that it was no longer necessary for the United States to treat the nations in these regions as protectorates, that they had substantial capabilities of their own to protect their own security interests, and they were simply free-riding on the United States.

Had I been around in 1948 or 1949, at the time that NATO was created, I would have supported the objective of halting Soviet expansionism. I would have, however, preferred a different mechanism, not an elaborate alliance that entangled us with long-term commitments, but rather the course that people like George Kennan and Chip Bohlen suggested of an American commitment to a European alliance, one which we then would be free to modify, or even repeal, if circumstances changed at some point.

Pipes: But in 1948, I think you would have argued that the Soviet Union was not a direct and immediate threat to the United States. After all, they did not have the weapons and the missiles that they later acquired. They were more like Iraq today.

Carpenter: No, because the Soviet Union in the late 1940s at least posed a plausible threat of dominating all of Europe, and conceivably moving into the Far East.

Pipes: So?

Carpenter: And those are regions that I do feel are important to America's security interests.

Pipes: But they are not direct or immediate. I mean, Europe could fall into Soviet domination, the Middle East can fall into Saddam's domination, what is the difference?

Carpenter: I think the shift of population and resources into the Soviet camp at that time, again, given the nature of the international system, would have posed a direct, immediate threat.

Pipes: Then you are are allowing a special role for Western Europe and East Asia, a role that, for example, the Middle East doesn't have?

Carpenter: Those regions are considerably more important to our own security interests than the Middle East, or sub-Saharan Africa, or Southeast Asia, or Southwest Asia.

Pipes: I am sorry to keep drilling you like this, but then they fall under the rubric of direct, immediate threat—a direct, immediate threat to them is a direct, immediate threat to us?

Carpenter: Again, it depends on the power of the source of that threat. Given the size and capabilities of the Soviet Union, yes.

Pipes: This is far more subtle and elusive than your original definition was.

Krauthammer: That is a reasonable position. When I heard you talk disparagingly of the national-security state, I was assuming that you thought we had created this state apparatus in response to sort of a phantom threat. But you are saying it was a real threat. And you say if a threat is not hegemonic then it really doesn't count. We have to worry about a hegemon, but anything short of that everybody can take care of themselves. That is our basic disagreement.

We have a really interesting division here of the goals of post–Cold War policy. We have Ted saying there really aren't any because the hegemon is out of the picture, so as of today it is sort of a quiet time. Josh is promoting the spread of democracies, and what I hear Ben promoting is a different agenda, which is, I guess, a kind of rule of law.

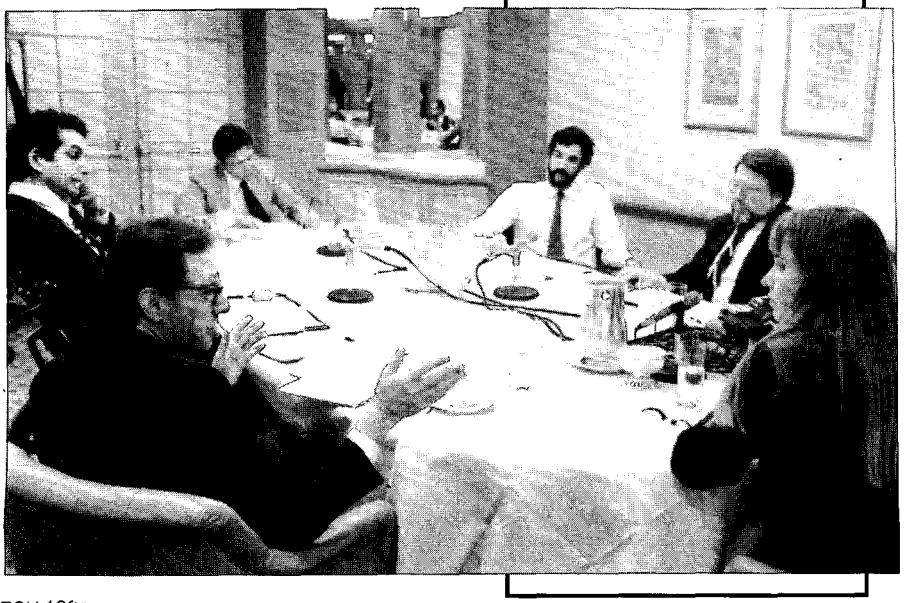
Frankel: Not a rule of law in the sense of the United Nations but—

Krauthammer: We promulgate the laws?

Frankel: Yes. There are certain rules, minimal.

Krauthammer: And I am not sure that I am looking for a systematic principle. I see our role a little ad hoc, identifying and facing threats. I am not sure we want to have hard-and-fast rules that whenever a country eats its neighbor we intervene. If Burundi invaded Rwanda, I wouldn't send American troops. The reason is that possession of Rwanda is

To what extent do commercial interests pull the U. S. and other trading countries into diplomatic and military entanglements?



Clockwise from left: Benjamin Frankel, Charles Krauthammer, Joshua Muravchik, Daniel Pipes, Ted Carpenter, and Virginia Postrel.

not something that will give Burundi a capacity to attack our vital interests, our friends, or ourselves.

In domestic law you have to have a universal principle. If somebody steals he goes to jail, no matter who steals. In international relations, you have to be a little bit more subtle, sophisticated, and cynical, and to say breaking the rules is perhaps a necessary condition of foreign intervention, but it is not sufficient.

Frankel: I fully agree. I have no intention for the United States to go to separate Burundi from Rwanda. To bring it closer to home, not even between Hungary and Romania. That is why I was not so worried about communists in Angola and Mozambique—what can they do to us, finally?

Krauthammer: But that is why the Wilsonian language that I hear from Bush scares me, because it opens him up to the argument, Where were you when East Timor was invaded? The answer is simple: Sorry. There are some places that we have to say, "We cannot be everywhere in the world."

Carpenter: I would like to ask Ben and Charles a question in connection with their proposal for the United States, in essence, to protect the rules of the game. How do you prevent the problem that we have had throughout the Cold War period of other nations free-riding on our security guarantees?

Again, we see that in the Persian Gulf operation. George Bush is saying that it is the world versus Saddam Hussein, and there are 26 nations contributing to the multinational force in the Gulf. What he doesn't say is that most of those nations are providing no more than token forces. The Germans and Japanese are conspicuous by their absence, and the contributions of Britain, France, and other members of the European Community are, shall we say, rather modest. In fact, the United States is providing, at present, 70 percent of the outside—that is to say, non-Saudi—forces in the Gulf, and when our current deployments are complete, we will be providing more than 80 percent. This is awfully reminiscent of the Korean international police action, which again was an overwhelmingly U.S. operation.

Krauthammer: Of course it isn't the world against Saddam, it is us against Saddam. Saddam knows it, and all the allies who are hiding under the table know it.

But the argument against intervention on the grounds that the allies aren't carrying enough weight is an argument only for more burden sharing. It isn't an argument against intervention. If the electrical station in my neighborhood is on fire, what you are saying is that because my neighbor refuses to pitch in his fair share in putting it out, I should stay home and watch it burn down. The answer is, I go out and do everything I can to put out that fire, and I also try to encourage him to do a little bit more. We ought to get our allies to do more work, but the argument that because the allies are laggard we ought to go home and say forget it is shooting ourselves in the foot. By Ted's logic, Churchill should have called off the Battle of Britain for lack of allied burden sharing.

"Unless the international system is actively and willfully shaped into a stable form, it adopts an anarchic and dangerous form."

—CHARLES KRAUTHAMMER

Pipes: I would go beyond that and say, I like it. I want the United States to be the leader. I much more trust our leadership than, let's say, Japanese leadership, German leadership. If that means paying more in money, and in lives, I think it is worth it because we will do better in the long run under the leadership of the United States.

Carpenter: I have a feeling that the American people will not react in the same way if this crisis does escalate into a conflict, and 80 or 90 percent of the allied casualties turn out to be American. I think you are going to have an extremely hostile and adverse reaction.

Pipes: We are talking about what we think should be done. We can then switch to another level, and talk about what the American people are likely to support or not support. Why do you disagree, or do you disagree, with the desirability of American decision-making latitude?

Carpenter: I want maximum freedom for the United States to make its own decisions, but that has to be based upon an assessment of our own vital interests, not carrying the load for an entire coalition, many of whose members have more at stake in this crisis than we do. Clearly Saddam poses a far greater threat to other powers in the Middle East—Egypt, Syria, and so on—than he does to the United States.

If the particular threat to our vital interests is sufficient, then, of course, we do whatever we have to do, but those situations are relatively rare where literally the survival of this country is at stake. You are dealing with a much more ambiguous situation here.

Krauthammer: OK, so we are back to your argument that it is not a vital interest. But the burden-sharing argument drops out.

Muravchik: Charles, are you saying that you support resisting Saddam Hussein because of the danger that he poses, irrespective of the principle of aggression?

Krauthammer: No. It is because of both. It seems to me that intervention has to have a high threshold, so that it cannot be just a single requirement that will trigger it. It is naive to enun-

ciate principles in advance which, if violated, would trigger American intervention—principles in the abstract like swallowing a neighbor, violating the borders, breaking the international order. One of these is a necessary condition for triggering our intervention, but it may not be sufficient. It also has to be in an area that is of interest to us, and in this particular case we have a third factor, which is an accretion of power to a dictator whose threat to us and our allies will only grow. So it is not just that he broke the rules, number one; not just that he threatens our interest and our friends, number two; but, number three, that he is going to get stronger and he will be back.

Muravchik: But is it for some reason inherently wrong to uphold the principle that opposes all aggression?

Krauthammer: Yes, we stand for certain principles. What we will expend in defense of those principles diplomatically, economically, militarily, and in human lives would be a function of a violation's importance to us and to our friends.

Muravchik: There is an interesting ethical question, it seems to me. You pointed out quite accurately that in terms of domestic law, you cannot simply enact a law and then say we are going to enforce this when it is convenient. The sense of equity and rule of law disintegrates. But in the international realm we have a different situation, so the question is, Is it inherently unethical, or hypocritical, for us to announce a principle that says the use and threat of force is wrong, and we will oppose it anywhere it happens anytime it happens, but we will oppose it by different means?

Pipes: The same thing happens domestically. Yes, the law is supposed to be equal, but when there is, say, a serial killer in Atlanta there are dozens of detectives on the case, so there are not going to be dozens of detectives available on other ones. You decide how you are going to deploy your resources, and every prosecutor makes those decisions—what is high priority and low priority. The same thing here. It is not either/or.

Krauthammer: The distinction here is between supporting or enunciating a principle and enforcing it. I would agree with you that the principle ought to be universal, but the enforcement cannot be, simply because the international system is a state of nature without a police force involved. We are sort of the self-appointed sheriff, and we don't have enough resources to enforce it all.

Frankel: Would you, Josh, urge the Saudi royal family and the sheikdoms to democratize? Do you see that as a valid and desirable goal of American foreign policy vis-à-vis Saudi Arabia?

When King Hussein opened up the political system in Jordan it was taken over by relatively radical elements—Palestinians and fundamentalists—and the same occurred in Algeria recently. At times, to push for democracy undermines our interests.

Muravchik: I favor the democratization of those countries, of all countries, but I also think that the prospects for democracy of those Gulf states are very poor. I think that in Saudi Arabia, if the monarchy were toppled tomorrow, the odds that it would be replaced by a democratic system are very small. And the odds that it would be replaced by some new form of tyranny much more prejudicial to our interests—and probably more unhappy for the other people in the region and for Saudi Arabia itself—are very great. So I am not for toppling the Saudi regime. If a bunch of Saudi students from American universities form a democracy club, I am in favor of the National Endowment for Democracy giving them the wherewithal to publish their newsletter and to purchase copies of the *Federalist Papers*.

Postrel: Is that because it is good inherently, or is that because it is somehow in the interest of Americans?

Muravchik: I think the proliferation of self-government by people is both good for them and good for us.

Krauthammer: Daniel, do you think in the Arab countries, the culture is at a point where it would sustain democracy?

Pipes: I don't know why Saudi Arabia can't. They haven't had any experience in this, but by now they have a fairly well-educated population, a fairly sophisticated one.

On Ben's other point, about the Jordanian and Algerian elections, it is striking to see that in both those cases, and especially Jordan, the elections produced a cadre of politicians who are far more anti-Western, anti-American than current leadership. Therefore, certainly in the short run, there are problems. I would first point out that is a good thing in the abstract; and, second, that with time there may be a maturation of the political process, which diminishes the appeal of the anti-Western types. I can't promise you these developments, but they are the only hope for a more stable Middle East.

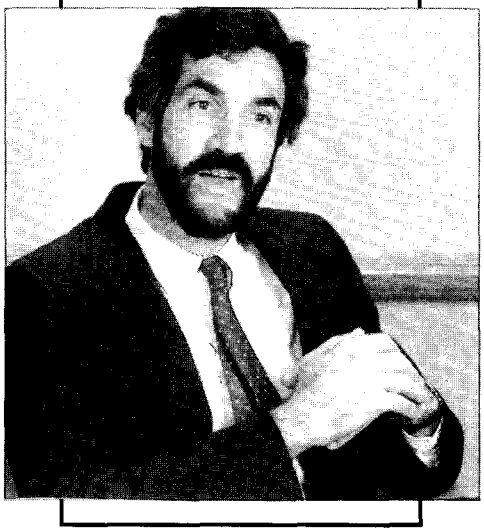
Postrel: Fairly early in the discussion, Charles, you spoke of the United States being a commercial maritime nation and, therefore, requiring some kind of interventionist policy to maintain trade. Should free trade be a goal of U.S. foreign policy?

Krauthammer: Absolutely. The big story of the month was the GATT collapse, not so much the Gulf.

Carpenter: For both domestic reasons and international economic reasons we should support free trade.

"I foresee some major problems arising from massive movements of people from the less fortunate to the more fortunate parts of the world."

—DANIEL PIPES



Domestically because if you adopt a protectionist trade regime, you do have the federal government telling American citizens with whom they may trade, what kind of products they may buy, and that intrusive policy is by its very nature obnoxious.

On the international level, a global free-trade regime promotes the maximum degree of prosperity, and I think if we embark on a course of economic nationalism, if we try to wall ourselves off from the global economy, we do, in fact, risk repeating the experiences of the 1920s and 1930s, experiences which had not just economic implications but were at least one factor in the eventual global war.

Frankel: Free trade by definition has to be played by two sides.

Krauthammer: I believe in one-sided free trade.

Frankel: If you want the United States to be in a unipolar world and continue to be the hegemonic power, we have to have certain industries, like machine tools, computers, weapons industries, steel mills, and what-have-you, which are absolutely necessary for this hegemonic position.

Pipes: I would just say that we should have free trade regardless of what the other side does, with the one possible exception of security-related areas. But that exception is open to abuse and must be watched carefully. There are cases where sugar becomes strategic, shoes—everything can be strategic. But it is an interesting principle to follow, the one that Charles alluded to, that you can gain by being a free trader even if the other side isn't. If they want to subsidize, let them subsidize. Let them muck around with their system, it doesn't mean we have to as well.

Carpenter: In addition to the problem that Dan raises, that if you make the strategic exception you have a loophole large enough to drive an 18-wheeler through, I have yet to see any evidence that a protectionist policy has benefited the health of American firms in any industry, strategic or otherwise. In fact, it has had the opposite effect historically. It allows American firms to become lax and uncompetitive. Steel perhaps being the perfect example, automobiles to a lesser but still noticeable degree.

Again, I don't see a particular threat on the horizon, with the possible exception of a cascading effect of protectionist trade measures adopted first in one major trading power, and then in another. But aside from that, I don't see a military power out there ready to sever the sea lanes. I think that is an extremely remote, improbable danger.

Frankel: The American presence out there, to the extent that it fosters a certain adherence to certain norms of interstate behavior, also fosters a more open trade environment. I think that a retreat by the United States would help create trading blocs.

Carpenter: Well, I think you are correct in a narrow sense at least—that the U.S. security guarantees to the various countries around the world gave us a certain amount of leverage to make sure that they did not adopt protectionist practices. But that is likely to be less effective in the future precisely because the value of U.S. protection—one thinks especially of the nations of Western Europe—is going to be far less.

Postrel: To what extent do commercial interests pull the United States and other trading countries into diplomatic and military entanglements?

Krauthammer: If oil hadn't been discovered in the sands of Saudi Arabia and Kuwait, I am not sure how we would have reacted to the invasion of Kuwait, but it would not have had the urgency that it did. Vital interests can often include economic interests.

To the point about chaos in trade, it is not a perfect historical example, but in the '30s, when the international system was multipolar and out of control, it was a time of catastrophic protectionism. I don't want to draw a direct line, but I think that at a time when you have international chaos, and everybody is defending his own security, it is natural to expect also a sense of everybody looking after his own economy—very shortsightedly, I might add.

The stability which we have enjoyed in our lifetimes, all of us being young enough, is not the norm. If we revert to what used to be the norm, which is kind of a state of nature out there, I don't see why this kind of economic protectionism ought not to follow in the wake of security protectionism, if you want to call it that.

Carpenter: I think it is difficult to establish a cause-and-effect relationship, though, because protectionist trade patterns emerged even during the 1920s, long before we got the breakdown of the security system globally in the 1930s. I would argue that that was probably a precipitating factor more than a consequence.

Postrel: If you have one point that you haven't made, or if you would like to summarize, please do so to conclude.

Frankel: Unlike Fukuyama and the "End of History" school, I am very worried about developments in the post–Cold War era. I believe in structures. I believe that bipolarity is good and multipolarity is bad, based on historical experience. In the absence of a menacing Soviet Union, there will not be domestic support for the kind of role that the United States should play in the world. Rather than having a relatively orderly unipolar world replacing the relatively orderly bipolar, we are going to revert to a semi-anarchic form of multipolarity in which conflicts will be exacerbated because of the spread of weapons of mass destruction and of ballistic missiles.

Krauthammer: But what has happened in the interim is Saddam. There is no doubt that in the first six months of this year there was a rush to disarm in the Congress and in the political rhetoric of the country. One of the questions at one of the president's press conferences in February was, Mr. President, why do you need $300 billion for defense if there is no threat?

It seems to me that we would have gone down the road that Ben is describing, toward retreat, and ultimately to a kind of chaotic international system, had Saddam not intervened. Saddam is in some ways an opportunity to remind Americans that the stability that our generation has been raised on is a historical accident and an anomaly. Unless the international system is actively, consciously, and willfully shaped into a stable form, it adopts an anarchic and dangerous form.

Maybe now we will be able to make the argument that the

world is full of potential Saddams and that we are entering an age of technology where even small countries can become large threats. The acquisition of nuclear weapons and missiles is new, and it completely changes the dynamics of the international system, because it gives small powers the reach that in all of human history only the great powers had. That is new. It is an abstract idea. It is hard to explain. If we succeed in the Gulf, the argument will be easier. If we fail in the Gulf, the argument will be lost.

Muravchik: The key to molding a safe and friendly world is the upholding of two principles. One is government by consent of the governed, and a spread of democracy, and the second is resistance to aggression. I daresay, although my case doesn't rest on it, that the people of Iraq, had they the freedom to direct their government policies, might well have some very great doubts about the situation that their ruler has gotten them into right now. The caveat to my two principles is that we have to pursue them by means that are commensurate with the stakes, and by means that are best calculated to bring the desired results.

In our Gulf policy, we have relied very heavily on the U.N. and on forging a vast alliance with a lot of often not like-minded states. The difficult question is whether that is going to be a useful precedent or a paralyzing precedent. Have we taken a step toward establishing an international consensus of opposition to aggression? Or have we created a new threshold for ourselves so that when the next Saddam Hussein–type aggression occurs, if we cannot mobilize this kind of alliance, or a near-unanimous vote in the U.N. Security Council, that will be taken as an insurmountable stumbling block?

Pipes: It seems to me that the events of the last year or two have confirmed that the verdict is in on methods of government, ways of life. What I might call the era of the American party—in the sense of *party* as a good time—is upon us. It is unequivocal that we have established a way of life which is superior to the alternatives, that offers political stability, economic growth, personal freedoms, and the like. But there is a major problem inherent in this, which is that the rest of the world wants to join the American party and have fun, too. I foresee some major moral, political, and cultural problems arising from massive movements of people from the less fortunate to the more fortunate parts of the world, hammering on the doors—be they Russians wanting to work in Western Europe, or be they Mexicans wanting to work here, or Bangladeshis wanting to work no matter where.

"I don't think we ought to fritter away our advantages...to take on the thankless task of being the global policeman."

—TED CARPENTER

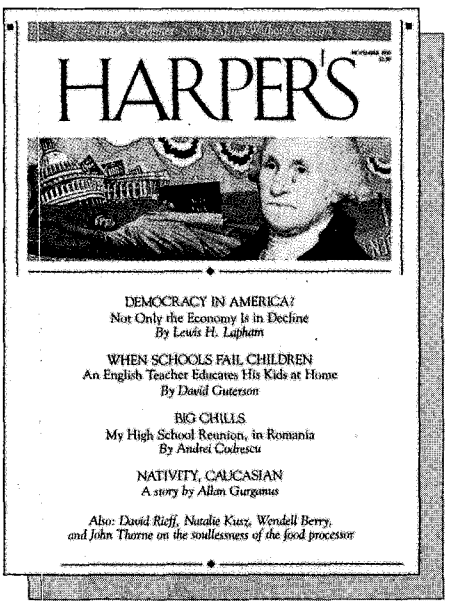
Carpenter: We are witnessing, first of all, the death throes of the bipolar system that we have known since the end of World War II, and I don't see a unipolar system on the horizon. I think that is a mirage, and one that will disappear rather quickly. The international system that is going to exist in the post–Cold War period is going to bear a great deal of resemblance to the international system that existed for many, many decades prior to the advent of the U.S.-Soviet bipolar system. It may not always be a comfortable world for the United States, but we do have some important advantages—political stability, domestic freedom, great economic strength, and, yes, an advantageous geographic location.

Given the many domestic problems that we have, and the fact that the American people have borne extraordinary burdens throughout the entire Cold War period, we should seize this opportunity to define our security interests less expansively. This does not mean isolationism. We need to get away from the notion that engagement is an all-or-nothing proposition. There are various forms of engagement—diplomatic, cultural, economic, political, as well as military. In most of those categories, we ought be involved as actively as possible in world affairs. It is only in the narrow security realm that we need to make dramatic changes. A superpower is measured by its assets, its strengths, not the extent of its burdens. I don't think that we ought to fritter away our advantages in this new post–Cold War world to take on the thankless, and ultimately exhausting, task of being the global policeman.

Postrel: Thank you very much.

In our June issue, REASON *will run a special Letters section on post–Cold War foreign policy. We invite letters to the editor that extend the discussion, propose alternatives, or take issue with viewpoints expressed in this roundtable.*

It's not homework.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TIM TEEBKEN

A middle-class couple find
+ × +
themselves in an IRS-spun web
+ × +
of debt and despair.

TAXES AND DEATH

A resigned smile crossed Kay Council's face as she steered her car into the garage of the new brick split-level house just outside Winston-Salem, North Carolina. Her husband, Alex, had every light blazing inside and out. *If I could just teach him to turn some lights off*, she thought as she climbed the stairway to the upper level.

Alex didn't seem to be inside. It was only 9 P.M., a warm June evening. Maybe he was at one of the unfinished homes in the housing development they were building nearby. She wandered into the kitchen. *Sure, there's a note.* On her desk lay a sheet of yellow legal paper with words in Alex's familiar hand.

"My dearest Kay,

"I have taken my life in order to provide capital for you. The IRS and its liens which have been taken against our property illegally by a runaway agency of our government have dried up all sources of credit for us. So I have made the only decision I can. It's purely a business decision. I hope you can understand that. I love you completely,

"Alex."

Her eyesight was blurring by the time she read the matter-of-fact postscript: "You will find my body on the north side of the house." For a few desperate, hopeful seconds Kay thought it might be one of Alex's practical jokes, and he would jump out from hiding and surprise her.

"Alex?" There was a sliver of that hope when she called his name the first time. "Alex!" She began shouting his name. No one answered.

BY RANDY FITZGERALD

She could not bring herself to look outside and confirm the note. She slumped in a kitchen chair and in a daze began punching out phone calls to relatives. Alex's brother arrived a short time later with a deputy sheriff. They found 49-year-old Alex sprawled near a backyard woodpile, dead of a bullet to the head. A pistol lay by his hand.

The mistakes, delays, and bureaucratic stonewalling that led Alex Council to take his own life are part of a pattern. A General Accounting Office investigation recently revealed that the IRS wrongly assessed penalties against 1.5 million taxpayers in 1988 alone. The GAO found that almost half of IRS mail to taxpayers contained incorrect information. Another IRS probe found that 2 million documents, including tax returns, could not be found in the agency's files.

Unlike criminal defendants, taxpayers faced with IRS penalties must assume the legal burden of proving their innocence. Rather than challenge the nation's most powerful law enforcement agency, even when its assessments are questionable or in error, most taxpayers simply choose to pay up and avoid drawing further attention to themselves. Of $15.3 billion in additional taxes and penalties wrung out of taxpayers in 1989, a *Money* magazine analysis estimates, $7 billion was wrongly collected based on erroneous calculations.

For those who do challenge IRS inefficiency and arrogance, there looms a stark and bitter truth: Even if they win in court, they can often expect to spend more in legal fees than the amount of tax at issue. Beating the IRS usually amounts to a Pyrrhic victory at best.

With Congress exerting intense pressure on the IRS to shake down taxpayers for every available dollar to help reduce the budget deficit, the story of Alex Council's fight for financial survival, and his eventual death, becomes a cautionary tale of what can happen to men and women of principle.

Alex met Kay in 1971 in Greensboro, North Carolina, at the mortgage insurance company where they both worked, he as vice president, she as the data processing manager. Both had two children and were in the throes of divorce. Friendship grew into love. After Alex moved to San Francisco to become vice president of a new mortgage insurance company in 1973, Kay soon followed, and a few months later they married.

Alex had an infectious spirit of adventure. On their honeymoon he took Kay to Alaska to explore the wilderness. He convinced her to ride gliders and hot-air balloons, and drove her 1,800 miles through the Yucatán peninsula to climb every ancient ruin they encountered.

A voracious reader, Alex had studied every book written by Ayn Rand and admired her strong, principled characters. He took classes in American constitutional law for the sheer enjoyment of learning, and he lived his life according to the dictates of his well-defined, individualistic conscience.

Unlike criminal defendants, taxpayers faced with IRS penalties must assume the legal burden of proving their innocence. Most simply pay up.

✚ ✖ ✚

When Alex received a large bonus in 1979, he decided to make a series of investments to minimize tax liability while building a nest egg for retirement. The Councils' accountant, William DuBois, suggested several real estate ventures, oil and gas leases, and a tax shelter called Jackie Fine Arts in which investors would receive a tax credit and depreciation for buying rights to reproduce paintings.

Alex and Kay, accompanied by their financial adviser and best friend, Chuck David, attended a promotion in which two representatives of Jackie Fine Arts explained how the purchase of original art works offered large potential profits from the sale of prints, and, according to opinions from numerous lawyers, a legitimate tax shelter.

Seeing the investment as a way of creating a small business for Kay, Alex bought two abstract lithographs offered by Jackie Fine Arts. When preparing the Council's 1979 tax return, DuBois claimed a $71,764 write-off from the investment.

Because of the size of his bonus, Alex half-expected Internal Revenue Service scrutiny of the 1979 tax return. In September 1980, IRS agent Joanne Zich informed him she was conducting an audit. Alex gave DuBois power-of-attorney to handle all contacts with the IRS. Alex wasn't worried about the audit itself, but he became annoyed when, as it dragged on over the next five months, Agent Zich repeatedly contacted him directly for information and documents, virtually ignoring DuBois.

By March 1981 it was clear that the focus of Zich's audit was the art investment. That month she again disregarded his accountant and sent Alex a five-page, handwritten letter, barely legible in places, requesting documents and detailed information about the two lithographs. This was followed by more requests, often handwritten, sometimes in pencil, some undated, others missing the attachments and enclosures to which they referred.

Patiently, wearily, DuBois and Alex answered the requests. Months elapsed without a resolution. In late 1982, after almost two years of inconclusive thrashing, a second IRS agent, Lester Johnson, replaced Zich on the case. He requested copies of many documents that had previously been supplied to Zich. Like her, he ignored DuBois's power-of-attorney and contacted Alex directly.

Still another IRS official, Jim Reed, called DuBois to report that the IRS planned to challenge the art investment write-off. DuBois responded that if the IRS disallowed the shelter, Alex would appeal the case to the U.S. Tax Court. The IRS had to file a legal notice of tax deficiency by May 5, 1983, before the three-year statute-of-limitations period for the 1979 return expired.

As standard procedure, the IRS would send a deficiency notice to Alex by certified mail and a copy to DuBois by regular

post. Alex would then have 90 days within which to appeal the assessment to the Tax Court without penalties being added by the IRS.

May 5 came and went with no IRS notice; Alex and Kay were relieved. The write-off apparently wasn't worth an IRS challenge after all. "I guess we got a lucky break," Alex told Kay.

That August, they moved from San Francisco back to North Carolina. They formed Council Development Co. to build single-family homes. They were partners and co-owners. Their four children were grown and living away from home, and the venture was the beginning of a new life for them. Alex had shed coats and ties and office life for blue jeans, flannel shirts, and outdoor work. He couldn't have been happier.

One October afternoon in 1983 Kay opened their mail and was shocked to find a tax-due statement from the IRS, demanding $183,021 in taxes, penalties, and interest stemming from their 1979 return. Alex was dumbfounded. Not only had the statute-of-limitations period passed, so had the 90-day period for appeal to the Tax Court, so he was denied that legal option.

Concerned about the effect on his new business, Alex told DuBois: "We've got to fight this. Once tax liens are filed, the public notice does its work and can't ever be removed from the minds of my creditors and business associates. The IRS has no incentive to retract, even when it's wrong."

DuBois wrote the IRS on October 18, complaining that neither he nor Alex had ever received an audit report, a statutory notice of tax deficiency, or any other IRS document relating to taxes due on the 1979 return. He demanded copies of the documents and an explanation of why they hadn't been sent before the statute-of-limitations deadline. He received no response. Other queries in November and December also went unanswered.

Nationwide, IRS offices employ about 300 "problem resolution" officers to advise taxpayers how to settle disputes with the agency. In January 1984, DuBois phoned one of these officers in the North Carolina IRS headquarters to explain the apparent notification error in the Councils' case. The officer curtly refused to investigate the complaint.

In February, another problem-resolution officer wrote Alex, responding to a letter from DuBois. "We are working on it and will be in touch with you," he wrote. Spring passed, then summer, then autumn, with no action. But the IRS tax-penalty interest meter never stopped clicking. By November 1984, the tax-due bill had reached $238,148 and counting.

Alex and DuBois found themselves begging faceless IRS employees for some record that the post office had ever received and attempted to deliver the original notice of deficiency. It should have been a simple matter. Had delivery of the certified IRS mail been accepted and signed for, or attempted and refused by the Councils, the Postal Service would have kept a record indicating the circumstances. No response.

As Christmas 1984 approached, another problem-resolution officer, this one in California, wrote the Councils, requesting additional information. They sent it. Again, the seasons passed with no answer. On October 29, 1985, another IRS employee, this time in Memphis, wrote: "We apologize for not replying sooner....Because of the volume of our correspondence, we have been unable to gather the information we need....We will write you again within 60 days." Four months later the employee wrote again to say the IRS was still gathering the requested information. "We are sorry for the inconvenience we have caused you."

The Councils' agonizing limbo was broken only by monthly tax-due notices showing an ever-escalating bill. Requests for meetings with IRS officials went unanswered. The Councils were haunted by the fear of losing their new home, which they had built and moved into during February 1986, and the home-building business in which they had invested all their savings.

When they hung the two framed lithographs—the source of their troubles—in their new home, Kay watched impatiently as Alex stood on a stepladder with a tape measure, methodically checking that each picture was centered perfectly. This exactness in him gave Kay faith that their lives would eventually return to normal.

In 1986, *three years* after Alex had first requested it, the IRS bureaucracy produced a Postal Service certified mail list indicating that the deficiency notice had been sent on April 15, 1983, a month before the statute-of-limitations period expired. Crestfallen at first, Alex soon became angry as he perused a copy of it. The Councils' 1983 address, in suburban San Francisco, was incorrect. DuBois's copy had been misaddressed as well.

Furthermore, the document gave no indication whether *delivery* of the deficiency notice had been attempted. As it turned out, the IRS had stalled so long in seeking the delivery records that the Postal Service had destroyed them in the course of routine housekeeping after two years.

In its manual the IRS warns employees to exercise "extreme care" to ensure that there are no typographical errors in the taxpayer's name and address when deficiency notices are sent. Nonetheless, Alex and Kay had been victimized by bureaucratic sloppiness.

The Councils' anger turned to hope. Its own evidence proved the IRS wrong. Surely the agency would now admit its mistakes and back down. Yet when Alex's attorneys contacted IRS officials, they impassively replied that Alex had only two options: Pay the amount due, or file suit in federal court against the IRS.

On May 15, 1987, the IRS filed a $284,718 tax lien against all of Alex and Kay's property and assets. Council Development Co., solely owned by them, held a $896,000 short-term construction loan from an insurance company for their small residential housing project. The Councils held a $112,000 loan from the same company on their own house, the model for the development. Because of the lien they were unable to refinance their home-construction loan as a conventional mortgage, and

mortgage insurance on the houses under construction was canceled. They now faced the loss of their home when the loan came due in a balloon payment. The lien also sabotaged any possibility of credit for a second real estate development for which they had already spent money on feasibility studies.

Alex filed suit against the IRS in January 1988 to have the crushing tax lien removed. Alex's attorneys pleaded before the federal district court that the Councils couldn't survive any delays in the trial. Granting the IRS additional time to conduct discovery "would spell financial disaster" for the Councils because the tax lien had effectively killed their ability to earn a livelihood. All their savings were tied up in the housing development. They couldn't even pay the $30,000 in annual interest accumulating on the IRS tax assessment.

Kay no longer planned for the future. She couldn't see beyond the next week or the next threatening letter from the IRS. Alex, however, stitched and restitched the shreds of his old optimism together. He helped organize his 30th-year high school reunion. He began working toward his private pilot's license. He enrolled in classes on the U.S. Constitution at Wake Forest University. He had known hard times before, since the age of 12, when his father died and he had been forced to find employment. His desire to remain strong for Kay helped Alex resist despair.

Only in phone conversations with his old friend Chuck David did Alex occasionally reveal his frustration. "We just can't get away from this. It's so unjust. The IRS broke my back." Chuck sensed that the fighting spirit was being beaten out of Alex. He stopped asking about the problem. It had become a wound that would not heal.

Alex and Kay celebrated their 14th wedding anniversary in May 1988 with a three-day driving trip through North Carolina. As in the early years of their marriage, a sense of adventure buoyed them. "I can live with losing everything and starting over," Kay told Alex, "so long as we have each other." He assured her he felt the same way.

Later that month, federal judge Frank Bullock called a hearing on their case. Alex and Kay thought their burden would finally be lifted one way or another. They were shocked and furious when, instead of presenting testimony, the IRS sought and was granted a two-month extension to gather more evidence. Their tax problem had dragged on for eight years.

Now Alex acted defeated, seeming to lose hope. Their business was paralyzed. They were about to lose their home. Their net worth had plummeted to $15,000. They couldn't pay their lawyers, and it seemed they would never have their day in court. Even the original cause of all their troubles—the investment in two lithographs—had long since failed as a business. There were no takers for the prints.

A man with a mind for planning and detail, Alex had prided himself on finding a solution to any problem. Facing the prospect of public humiliation and losing everything he had worked for all his life, he began quietly considering the desperate act that for him had been reduced to a simple business decision.

Kay spent most of the last week in May visiting her ill mother in the hospital. In her absence, Alex began tying together all the loose ends of their life. He sat at a desk in a room of the house set aside as his office and used a tape recorder to compose his thoughts. First, he explained why he felt there was no way out but to end his life. Then he discussed in exacting detail their finances, explaining which accounts needed to be paid when, detailing the disposition of each lot in the residential development, and offering suggestions on how to spend the insurance money. He placed the 45-minute tape in an upstairs closet and, in one of the two notes he wrote Kay, described where she could find it.

On the night of June 8, 1988, while Kay took her recuperating mother to a bingo game, he walked out back and shot himself.

Numb through the funeral, Kay soon found her grief turning to a grim determination. Using a transcript of Alex's tape (she couldn't bear the pain of listening to his voice), she began acting on his advice and instructions. With the $250,000 from his suicide-proof insurance policy, she purchased a small townhouse to live in, paid off all their personal bills, pumped money into the housing development to keep it going, and, most important, paid her attorneys to continue the court fight against the IRS.

She told them bluntly, "I don't want anybody saying Alex let me down. I know how much he loved me. In his mind, he did it for me."

Meanwhile, Kay supervised the eight houses under construction. A petite, energetic woman who had previously only made color and design decisions involving the houses, she forced herself to learn all aspects of the construction business. Somehow, she managed to complete the homes, sell them, and pay off the construction loan.

When the nonjury trial was finally held before Judge Bullock on October 12, 1988, the IRS attorney insinuated that Alex, Kay, and their accountant were all lying when they claimed never to have received the assessment notices. "The errors that would have had to have occurred in concert for this to have happened the way the Councils claim are mind-boggling," said Justice Department attorney Robert Welsh. Furthermore, the IRS contended that "actual receipt of the notice is not required if the notice was properly mailed."

Kay's attorneys countered that IRS sloppiness prevented delivery of the assessment notices and that agency stalling and disorganization had prevented settlement of the case five years earlier. After the day of testimony, Kay went home exhausted and depressed. Having lost faith in the system, she waited for the worst. It was a long wait.

On December 16, 1988, Kay's attorney Gray Wilson phoned her.

"Kay, I've got good news. You finally won."

After a long pause, Kay regained her voice and composure. "I can't believe it's finally over."

Bullock had ordered the IRS to drop its collection efforts and cancel the tax lien. The Councils and their accountant, Bullock concluded, "had no reasonable motive to fabricate a story" about failing to receive the notices "for they did not yet know what evidence the IRS might produce to verify mailing." Nor does the law place upon taxpayers "the burden of hounding the IRS for delivery of a possible notice of deficiency."

In February 1989, Kay's attorneys requested that the IRS compensate her for legal fees. The IRS refused. So Kay's attorneys petitioned the court for reimbursement. On August 29, 1989, Bullock granted her $27,971 for legal fees and expenses.

Even those who beat the IRS suffer substantial financial damage. And the IRS rarely disciplines employees who have committed serious errors.

✚ ✖ ✚

Months after the judge's verdict, Kay found that the tax lien continued to haunt her. She was turned down when she tried to purchase a vacuum cleaner on credit. The lien remains on record with credit bureaus for seven years, and it is her responsibility, not that of the IRS, to convince them it has been removed.

In 1988 Congress passed legislation, known as the Taxpayer's Bill of Rights, aimed at safeguarding taxpayers from IRS abuses. But the law does little to mitigate circumstances like those that ruined the lives of Alex and Kay Council.

The law's 17 reforms include automatic IRS disclosure of rights for taxpayers whose returns are questioned; an increase in the waiting period for seizures of property from 10 days to 30 days after notice; and limited awards of legal costs to taxpayers who successfully challenge the IRS. But the Taxpayer's Bill of Rights fails to adequately address the powerlessness most taxpayers experience when they attempt to defend themselves against the IRS.

Under the original version of the law, as sponsored by Sen. David Pryor (D-Ark.), taxpayers could have sued the IRS for damages if any agency employee "carelessly" or "intentionally" disregarded any provision of the tax laws. As the bill evolved through the congressional committee process, the word *carelessly* was dropped. For taxpayers who have been financially harmed or devastated by IRS carelessness, as the Councils clearly were, proving that IRS employees *intentionally* wronged them is almost impossible.

As Kay Council learned, even those who beat the IRS suffer substantial financial damage. Kay was fortunate to have a judge who mandated that the IRS pay some of her legal fees. But at a rate of $75 an hour, the current law's cap, the award fell far short of the $135 an hour charged by her attorneys, forcing her to cover the difference.

It seems perverse that a taxpayer wronged by IRS employees has to exact justice by winning monetary compensation from other taxpayers. Six years ago, Rep. Andrew Jacobs (D-Ind.) introduced a tax-bill amendment permitting federal judges to hold IRS employees personally liable for legal fees incurred by taxpayers who prove that the employees have taken arbitrary and capricious actions. The amendment lost in the face of arguments that such accountability might affect IRS employee recruitment.

Yet the fundamental concept is sound. Why not hold government employees responsible for their mistakes? Under the present system, the IRS rarely disciplines even those employees who are found to have committed serious errors.

David Keating, executive vice president of the National Taxpayers Union, argues: "It seems clear that the IRS is more interested in controlling, regulating, and punishing taxpayers for their violations than they are in controlling or punishing their own employees for comparable infractions."

IRS Commissioner Fred Goldberg says his agency needs better-trained, more highly paid personnel and improved data processing to help eliminate errors and improve response times. Just modernizing the IRS computers could cost $6 billion or more. Goldberg concedes that the American public resents the complexity of the tax laws and "hassles with the IRS that take month after month to resolve." He has urged Congress to greatly simplify the tax code to make it easier for taxpayers to understand and comply with, and easier for IRS personnel to enforce.

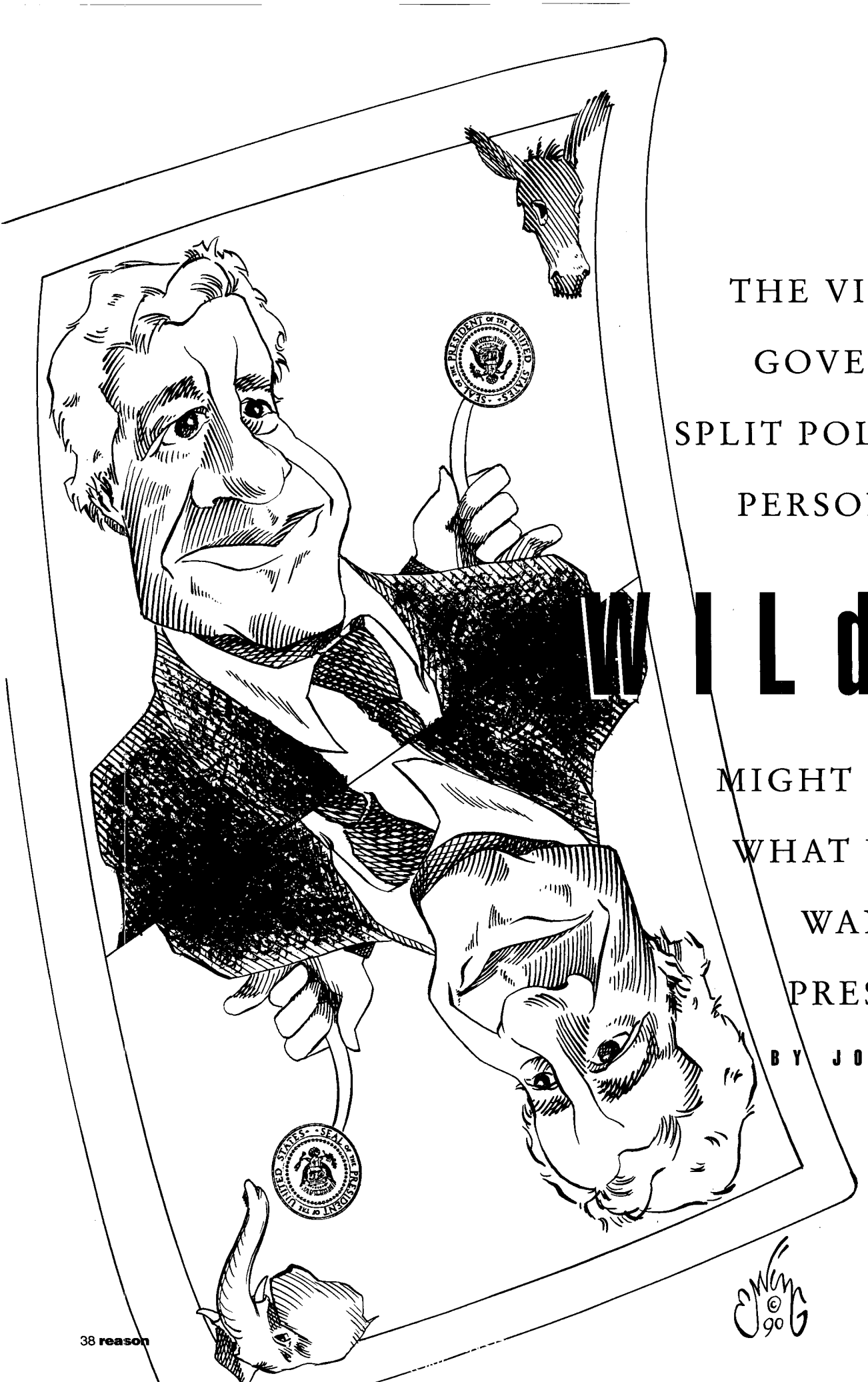
Complexity does work to the disadvantage of all but the most astute and well-heeled taxpayers. Complex and vague laws encourage enforcement abuses. If an individual within the IRS decides to "get" you, or even to ignore you, the complexity of the tax code enables the agency to plausibly deny wrongdoing and create a financial headache for you.

Above all, taxpayer rights must be vigilantly safeguarded. In the last Congress, Sen. William Armstrong (R-Colo.) introduced a series of bills called "Fair Play for Taxpayers" to provide full compensation for legal expenses to taxpayers who beat the IRS in court and to allow taxpayers to sue the IRS for carelessness. The legislation never got anywhere, and Armstrong has since retired from Congress. It remains for another member, perhaps Pryor, to inherit the role of taxpayer advocate.

When the Senate Finance Committee, which oversees the IRS, held routine hearings on the agency last April, Kay Council came to Washington. She barely kept her emotions in check as she spoke to a hushed hearing room.

"I was cheated of growing old with the man I love. I lost my best friend. Somebody should be held accountable for the destruction to me and my family. Beating the IRS should give some meaning to Alex's death, but it hasn't. There has to be more. If enough little people like me keep coming forward, there will be changes." ◼

Randy Fitzgerald is a staff writer at Reader's Digest.



THE VIRGINIA GOVERNOR'S SPLIT POLITICAL PERSONALITY

WILdER

MIGHT BE JUST WHAT VOTERS WANT IN A PRESIDENT.

BY JOHN HOOD

RICHARD EWING

& WILdER

SOMETHING IMPORTANT MUST BE HAPPENING when a Democratic governor becomes a hero to the intellectual right. Feeling betrayed by President George Bush's embrace of higher taxes during last year's budget debate, many conservatives have lauded Virginia Gov. Douglas Wilder for sticking to his no-new-taxes guns in state budget squabbles. The Virginia offshoot of the free-market Citizens for a Sound Economy enthusiastically lobbies for Wilder's fiscal restraint, while liberal groups demonstrate against the governor.

Wilder's rhetoric, as much as his actions, has attracted an unlikely following and makes him a powerful force in American politics. "When I was growing up," Wilder, the grandson of black slaves, told a recent interviewer, "one of the things my generation wanted was for government to get out of the way—that the government imposed too many restrictions, too many barriers, too many limitations. We were not asking government for anything for us but to remove itself."

Is Doug Wilder a conservative? There are as many answers to that question as there are "experts" to provide them. One Richmond lobbyist calls him "a cautious moderate with liberal views." "I guess you might call him a situational conservative," says Robert Holland, associate editor of the Richmond *Times-Dispatch*. Al From, executive director of the centrist Democratic Leadership Council, calls Wilder "fiscally conservative and socially progressive." Virginia voters have taken a shot at the labeling game themselves. In Wilder's 1989 gubernatorial victory over Republican Marshall Coleman, 61 percent of Wilder voters called him a moderate in exit polls. Exactly 61 percent of Coleman voters called Wilder a liberal.

Labels matter. Poll after poll has found that the American public doesn't like the term *liberal* or people identified as such. *Progressive*, however, is just fine. So defining Wilder isn't just an intellectual exercise or a diversion for political junkies. It's crucial to understanding Wilder's impact on Virginia, on Southern politics, and on the national Democratic Party.

The first elected black governor in U.S. history, Wilder took office with heaps of media attention, and the heaps have become mountains during his administration. Every short list of presidential or vice presidential candidates for 1992 include Wilder's name. Every East Coast governor, Democrat and Republican, looks at Wilder's no-new-taxes approach to state budget woes as an unbelievable and perhaps unrepeatable success (several have "researchers" in Richmond figuring out how Wilder has done it). Columnists and pundits drop his name at every turn. His rhetorical theme, the "New Mainstream," rivals the White House's "New Paradigm" as hippest catchphrase of the year.

So what should we call him? Unfortunately for the knee-jerk types, Wilder has embraced positions during his first year as Virginia governor that support the conservative, moderate, *and* liberal labels. "The truth is," one Washington journalist told me, "Doug Wilder has become America's most skillful politician at the art of positioning." And his art has a rapt nationwide audience.

Doug Wilder the Conservative. The issue that has really kept Wilder's name in the headlines is taxes. Virtually alone among governors facing state budget deficits, Wilder has eschewed any new taxes in favor of a combination of program cuts, layoffs, salary freezes, and one-time budget gimmicks. In a November speech outlining further budget cuts, Wilder introduced a nifty phrase—"we're putting necessities before niceties"—that has since popped up in budget debates from Albany to Austin.

In the same speech, Wilder defended his fiscal conservatism by saying: "I will always opt for long-term prosperity over short-term popularity." Actually, it appears that he's achieved both, sort of. He's very popular with Democrats and conservatives outside of Virginia. Within the state, Wilder still has respectable ratings, but his budget cuts have alienated powerful interest groups. A *Times-Dispatch* poll pegged his approval rating in mid-fall at 48 percent, lower than that of any Virginia governor in the 1980s. Still, compared to governors who have raised taxes—most notably New Jersey's Jim Florio—Wilder has fared well in the public-opinion game. Revenue shortfalls in states that require balanced budgets will never help a governor's approval ratings, no matter what his response is.

Interestingly, Wilder the Knife's budget prescriptions have generated virtually no formal political opposition (one or two state senators occasionally mention a sales-tax increase). Republicans questioned the governor's authority to make some of the cuts while the legislature was out of session, but the charges didn't stick. After Wilder outlined his planned cuts for local governments, private organizations such as museums and foundations, and state construction projects, the Republicans didn't attack his programs. Instead, they blamed the mess on the Democrats' longtime stranglehold on state government. At the same time, few Democrats have stepped out to challenge Wilder on policy. For one thing, it would alienate Democratic State Chairman Paul Goldman, Wilder's closest adviser and the holder of the party's political purse-strings. Wilder has a reputation for taking criticism personally, so Democrats refuse to cross him.

As far as enemies go, Wilder has the "right" ones—from a conservative point of view. The Virginia Governmental Employees Association is angry about layoffs and salary freezes. The Virginia Education Association, a strong Wilder supporter in 1989, released a report in November that called Virginia a "low-tax state" and expressed support for a sales-tax hike. These groups accuse Wilder of "playing to a national audience" at the expense of the state, says Mark Rozell, a political scientist at Mary Washington College in Fredericksburg.

Those in the black establishment think little of Wilder's frugality. "How can you be a fiscal conservative and a policy liberal?" asked Ronald Walters, a Howard University professor, in a *Washington Post* interview. Walters criticized the Wilder New Mainstream for trying to "out-Reagan Reagan, out-Republican the Republicans." Avon Drake, director of African-American studies at Virginia Commonwealth University, agrees. He told the *Washington Times* that Wilder is "obsessed with raising issues that are interesting for whites and less interested in raising black issues."

Tax machismo isn't the only sign of a conservative influence in the Wilder administration. Wilder has teased conservative interviewers such as Donald Lambro and Fred Barnes with favorable comments about the Strategic Defense Initiative and parental choice in schooling. In fact, Wilder's education secretary, James W. Dyke, Jr., asked the state board of education in late 1990 to study educational choice experiments in Milwaukee and Minnesota for possible application to Virginia.

DOUG WILDER the Moderate. Wilder has proposed some new programs. But they're all more symbolic than activist, and each relies heavily on private money and cautious implementation. Among Wilder's pet ideas: a state conservation corps called Opportunity Knocks that would put poor kids to work clearing nature trails and cleaning up state parks; a Head Start–style program for poor 4-year-olds; and various programs to combat drug abuse. These programs all have two things in common: They are "kind and gentle," and they are cheap.

Wilder's status as a preeminent Democratic moderate is interesting given his long-running feud with former Virginia Gov. Chuck Robb, one of the leading spokesmen for moderate conservatism and a founder of the Democratic Leadership Council. Their sparring actually dates back to 1982, when Wilder went after Democratic U.S. Senate candidate Owen Pickett, whom Robb supported. During the campaign Pickett invoked the name of the late Virginia governor and U.S. senator Harry F. Byrd, a man whose opposition to civil rights legislation made him a hero to many white Virginians but an anathema to blacks. Wilder didn't approve. To derail Pickett, Wilder entered the Senate race. Since then, Wilder and Robb have had an on-again, off-again political alliance (at this writing, it's off). But Wilder doesn't always alienate—Pickett later received Wilder's endorsement in a congressional race.

Wilder is black, he's moderate in style and substance, and he's Southern. Not surprisingly, he reportedly makes the Democratic Leadership Council's Al From "giddy."

To moderate Democrats, Wilder is a godsend. He's black, he's moderate in style and substance, and he's Southern. Not surprisingly, Wilder reportedly makes the DLC's Al From "giddy."

DOUG WILDER the Liberal. Socially conservative Virginians may very well wonder what all the giddiness is about. Wilder has flunked two key litmus tests for social conservatives—abortion and the admissions policy of the Virginia Military Institute. Abortion was a key issue in the 1989 Virginia gubernatorial race, and Wilder unabashedly ran as a pro-choice candidate. Larry Sabato, a political scientist at the University of Virginia, believes that the abortion issue may have especially helped Wilder with women; in a post-election analysis, Sabato found that women disproportionately favored Wilder, with a "gender gap" double that found in the 1985 gubernatorial race.

But even when defending a traditionally liberal position, Wilder's rhetoric differed greatly from the strident feminist-inspired slogans of many abortion-rights groups. His TV ads and public speeches made frequent references to Thomas Jefferson—a native Virginian, founder of the University of Virginia, and potent political symbol in the state. Wilder stressed Jeffersonian ideals of limited government and individual freedom on the abortion issue, rather than vilifying pro-lifers.

While the pro-choice vote formed an important part of Wilder's winning coalition, an even more important part, Sabato found, was the urban vote—particularly a spectacular 73-percent turnout by blacks. Liberal activists from around the country worked for Wilder and lauded him as a progressive standard-bearer. Wilder has been reluctant to take symbolic stands that would alienate these voters. For much of the last year, the Virginia Military Institute has been defending its male-only admissions policy in court. At first, Wilder seemed to back VMI, but in late November he announced that he opposed the policy. His rhetoric clearly was aimed at blacks and liberal Democrats: "No person should be denied admittance to a school supported by state funds solely because of his or her race or gender."

"Wilder clearly changed his position on the issue," says Rozell. The state attorney general, Mary Sue Terry, had been defending VMI in court—carrying out what was then Wilder's policy. Terry, a possible gubernatorial candidate in 1993, withdrew from the case after Wilder's November surprise, saying Wilder was the "ultimate architect" of state policy. While Terry denied that politics drove the administration's policy, Rozell notes that Wilder could hardly "offend the liberal activist groups nationwide that would be crucial in the 1992 presidential primaries."

THAT BRINGS US to **Doug Wilder the Candidate.** Ultimately, say many Virginia analysts and lobbyists, Wilder's positions are determined not by some unifying vision or ideology, but by what effect they will have on his political future. "As a Democratic candidate, you've got to get beyond the image of the party as being beholden to the special interests and being the tax-and-spend party," Rozell says. Wilder's positions do that nicely. "I think he's completely politically motivated," says one lobbyist for conservative causes in Rich-

mond. "I support Wilder 98 percent of the time, but I recognize political reality."

The Wilder administration has surprised the people who put him into office, as well as his opposition. One of Marshall Coleman's campaign slogans warned that, "We don't need Wilder taxes and Wilder spending." The Republicans can't be blamed for misjudging Wilder. From his election to the legislature in 1969—he was the first black to serve in the chamber since Reconstruction—to the early 1980s, Wilder was one of Virginia's most liberal legislators. He stood almost alone against several popular death penalty bills in the 1970s, but by his 1985 lieutenant governor's race he wholeheartedly endorsed capital punishment. In 1985 he also started to stress tax cuts and fiscal restraint, despite his pro-spending record in the legislature.

As lieutenant governor, Wilder played a leading role in Virginia's political drama. As early as 1987, many journalists and political insiders expected a Wilder bid for governor. Some even predicted that Wilder wouldn't be satisfied with the statehouse. In 1988, Linda Williams, then a policy analyst at the Joint Center for Political Studies in Washington, D.C., predicted that if Wilder were elected governor, the nation's eyes would turn toward him as a national leader, even as a presidential candidate. Now a research fellow at the Kennedy School of Government, Williams says she has been surprised only by the *degree* of Wilder's self-promotion outside the state.

In a sense, Wilder simply followed Virginia political tradition by hitting the ground running. The state's governors can serve only one term, so any hopes they have for continuing their political careers force them to run for another office. Chuck Robb, for example, made a national name for himself as governor and was often mentioned as a possible presidential candidate before he reduced his ambitions and ran for the Senate in 1988. Wilder's quest to be on a presidential ticket isn't surprising, says Williams, because "both U.S. senators are popular and would be very difficult to defeat."

But Wilder has expanded on Richmond statehouse tradition in an unprecedented manner. Virginians get the sense that he's constantly talking past them to a national audience. He's already formed a political action committee (headed by Goldman) as a prelude to 1992. He's spent more time in presidential primary states than in some parts of Virginia. Last spring he told a Minnesota audience that he was "fearful of what may happen if I don't speak out [about national issues]. I take no comfort sitting back and watching while Rome burns." Translation: Let me be your emperor.

ONE SURE SIGN that Wilder's presidential aspirations are serious is his constant sparring with potential Democratic rivals. He goes out of his way to note that he, unlike Jesse Jackson, has fought for and won elected office. Lately, Wilder has taken swipes at New York Gov. Mario Cuomo.

Not surprisingly, Wilder's swipes at leading Democrats have earned him some admiration from Republicans. In his first meeting with reporters after being named Republican National Committee chairman, William Bennett remarked that Wilder "contradicts a lot of people's image of the Democratic party." (Bennett has since declined the GOP job.)

But Wilder still reserves his strongest attacks for Republicans. He wrote President Bush after the November elections to complain that the North Carolina GOP was trying to "intimidate" blacks when it sent out postcards on behalf of Sen. Jesse Helms reminding them that they must vote in the district where they are registered. By not condemning the postcards, Wilder wrote, Bush was "serving as the leading apologist for the unconscionable actions of Senator Jesse Helms."

Virginia analysts and lobbyists say Wilder's positions are determined not by some unifying vision or ideology, but by what effect they will have on his political future.

Wilder has other issues to run against Bush. He and his adviser Goldman have been particularly vocal in criticizing Bush's veto of last year's Civil Rights Act, which Bush and Helms had called a "quota bill." Wilder also uses the tax issue to knock Bush. Speaking at a *National Review* conference on "Conservatism and the Democratic Party," Wilder reflected on Bush's abandonment of "no new taxes" and the subsequent budgetary brouhaha. "I was certain that both the topic and the address of this conference were misprints," he joked. "But then I concluded that *National Review* had decided that it is no longer *possible* to hold a conference to discuss, with a straight face, *conservatism* in the Republican Party." Rozell suggests that there is truth in the joke: "Bush gave Wilder a big opportunity by breaking his no-new-taxes pledge." Wilder, by contrast, has kept his word and fought higher taxes.

Wilder, or at least the wing of the Democratic party he represents, does indeed present the biggest challenge to Republicans in recent years. In the 1989 gubernatorial election, Wilder won 56 percent of voters aged 18-44, while Coleman won 62 percent of voters over 60. During the Reagan years, young voters in Virginia and elsewhere were the most loyal to the GOP. Wilder could possibly attain similar numbers in a national race. "Older voters are less libertarian, more socially conservative, and less pro-choice on abortion," concludes Sabato.

Wilder's positions as governor paint the picture of a conservative on taxes and spending and a liberal on social issues. That seems to be a winning combination for younger voters, if expressed in moderate terms by a moderate-looking candidate. Such prospects for victory, if nothing more, explain where Wilder is—and where he may be going. ◻

Contributing Editor John Hood is publications and research director for the John Locke Foundation in Raleigh, North Carolina, and a columnist for Spectator *(N.C.) magazine.*

SLIGHT READING

BY MURRAY WEIDENBAUM

For some time the more extreme wing of the environmental movement has been annoyed by economists who raise sticky questions about the costs—as well as the benefits—of specific environmental policies. To economists, it is not enough that a proposed law or regulation is intended to reduce pollution. We have the audacity to ask if the new policy will actually work and, even if it will, whether there is a better way of achieving a given environmental goal.

If anything, economists have grown accustomed to brickbats. We understand that few people like to have holes in their arguments pointed out. Until recently, these counter-criticisms have been quite harmless, mainly labeling economists as green-eyeshade types. We have learned to live with that.

However, a new effort to discredit economists cannot be ignored. It is a shrill attack on the mainstream of the economics profession, and it is being launched by one of the media's favorite environmental groups, the Worldwatch Institute.

In the September-October 1990 issue of its magazine, *World Watch*, the institute's vice president for research minces no words: There is a fundamental flaw in economics. It is "an almost complete lack of regard for the environment." That is a very serious charge. How well is it documented?

Now comes the unpleasant surprise. The total evidence for that blistering charge is an examination of "the indexes of three leading macroeconomic textbooks." Apparently, a perusal of those indexes yielded no entries for "pollution," "environment," "natural resources," or "depletion."

Number of Pages About Environmental Issues in Leading Economics Textbooks

Textbook Author	Year Published	Pages
Paul Samuelson	1961	5
Armen Alchian and William Allen	1964	0
Richard Lipsey and Peter Steiner	1972	9
George Bach	1974	13
Paul Samuelson	1980	30
Campbell McConnell	1981	11
Milton Spencer	1983	12
Richard McKenzie	1986	13
Campbell McConnell	1990	14
James Ragan, Jr. and Lloyd Thomas, Jr.	1990	26

The reader of environmental magazines may have grown accustomed to such small samples—three out of the hundreds of economics textbooks published each year—but it raises a caution flag for us green-eyeshade types. In this case, caution is, indeed, justified. Ignoring the shortcomings of indexes of books, the sample is fundamentally flawed.

The unwary reader of *World Watch* may not recall that macroeconomics is the branch of economics which deals with such aggregate factors as inflation and unemployment, recessions and expansions in the national economy. It is *microeconomics* which deals with the specific questions involving the environment and its pollution. No micro-economic textbooks were included in the small sample.

In any event, only advanced students take specific courses for which macro or micro texts are assigned. Most students enroll in an introductory course or two, usually called "principles of economics." Such courses typically cover both "micro" and "macro."

Under the circumstances, it would be useful to examine the textbooks that are used for those introductory courses. In fact, let's not limit our sample to the 1990 editions, so we can see if the environmental interests of economists are more than a passing fad.

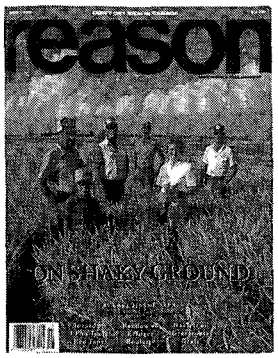
The accompanying table contains the results of my little survey of the textbooks on the principles of economics that I found in the offices of the Center for the Study of American Business. I apologize to the authors of the fine textbooks omitted from the list (their publishers apparently did not send us any desk copies). The sample size is still small, but 10 books is more than three times the sample used in the *World Watch* article.

As the reader can see, the interest in the environment ranges from five pages in the 1961 edition of Paul Samuelson's widely used principles text to 26 pages in the brand-new 1990 edition of the introductory economics textbook by James F. Ragan, Jr., and Lloyd B. Thomas, Jr.

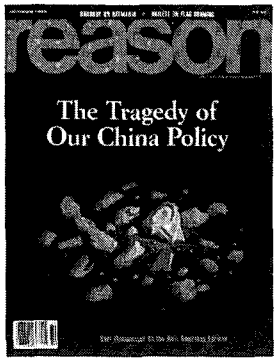
With one exception, each of the economics textbooks listed in the table discusses environmental pollution and resource issues at some length. It is intriguing to note that Samuelson's 1980 coverage of the environment drew on the work of economists A. C. Pigou and Allyn Young, who wrote on the subject approximately 70 years ago. That is the same Pigou who focused attention so long ago on the problem of factory smoke that adversely affects innocent bystanders. Clearly, economists have had a long-standing interest in the subject of environmental pollution.

Serious concern with the environment

"Government agents befriended traders, visited their homes, and shared their meals. They attended their parties, played with their children, and won their trust. They deluded the defendants and then ensnared them in order to prosecute them for the moral equivalent of jaywalking."
—TRADER X, "SNARING THE CHICAGO 46"



"Every five years in Peru we have elections. We elect a dictator every five years. You've confused it with democracy, and so have we."
—HERNANDO DE SOTO, "WHAT'S WRONG WITH LATIN AMERICAN ECONOMIES"



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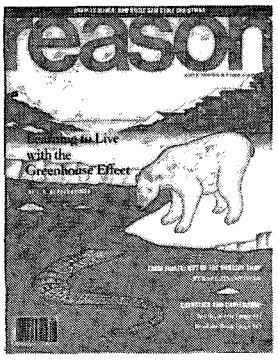
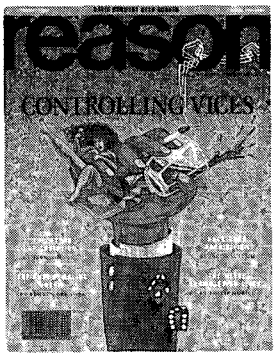
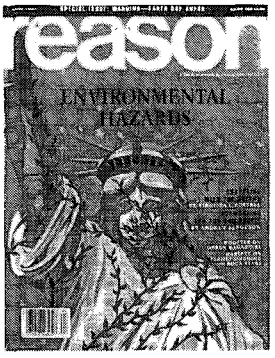


"For all the right-wing grousing about Washington and the majesty of the government 'closest to the people' (yeah, like right inside their wallets), state and local governments in America are notoriously shady enterprises, demonstrating the twin evils of local monopoly and a cozy-with-the-powers press."
—THOMAS W. HAZLETT, "LOCAL HEROES"



"When the law determines vice and virtue, everyone competes to determine the law. We end up with a struggle between those who can't tolerate the idea that anyone anywhere is having fun and those who can't tolerate the idea that anyone anywhere disapproves of their fun."
—VIRGINIA I. POSTREL, "SIN AND DECADENCE"

"Dr. Ehrlich was an entomologist by training, and some immediately recognized that after many years of rigorous study, he had lost the capacity to distinguish between an army of hideous little arthropods swarming over his desk in a Stanford laboratory and an upwardly mobile population of Homo sapiens building tract houses in Palo Alto."
—ANDREW FERGUSON, "APOCALYPSE WHENEVER"



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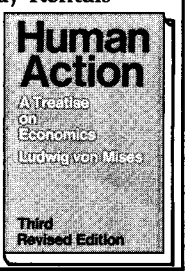

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THE ENVIRONMENT

is far more than a mere matter of counting the number of pages cited in the index of a book, however. It is the substance of the writing that is worthy of attention. Since the days of Pigou, economists have been wrestling with the problem of responding to the burdens ("externalities" such as pollution) that some people impose on others.

Being interested in the motivation for human action, economists ask why people pollute. Surely the problem does not arise because any great number of our fellow citizens enjoy messing up the environment. Most polluters—be they companies, municipalities, state and federal agencies, or you and I—pollute simply because it is easier or cheaper or both.

After even a few moments of thought on the subject, it becomes quickly apparent that there are many ways of dealing with the problem. To begin with, we can redefine property rights, so that people cannot use the nation's air, water or surface as a free dump. How many of the people who litter or damage public parks do the same thing when they are visiting with their neighbors out on their lawns?

Another approach is to use the price system on which we rely generally to allocate resources efficiently. For example, levying a tax on leaded gasoline would raise its price in relation to unleaded gas, encouraging many motorists to shift to unleaded fuel, if their cars could use both.

Finally, there is the command-and-control approach, which is the method mainly relied upon by politicians. Government can issue rules mandating certain modes of behavior or outlawing other types of activity. In selecting one or the other of these alternatives, economists are prone to compare the costs and benefits of each; command and control rarely looks good in such analyses.

Questioning the practicality of any single pollution control system indicates no disrespect to the environment. Contrary to rumors, economists breathe the same air and drink the same water as real people. Knowing that the resources available are limited (merely consider the bitter debate over federal budgeting), practitioners of economic analysis want to see the most effective use made of those resources. We care much more about results than intentions.

Surely there is no advantage in selecting the most costly or disruptive method of cleaning a river, to cite a common example. Yet many environmentalists seem to take offense when questions of efficiency and effectiveness are raised.

Economists, knowing that resources are limited, want to see them used effectively. Surely there is no advantage in selecting the most costly or disruptive method of, say, cleaning a river. Yet many environmentalists take offense when economists raise questions of efficiency and effectiveness.

We must admit that applying economic analysis to environmental issues may make life a bit more complicated for some environmental advocates. They may have to abandon the more simpleminded command-and-control approaches and, instead, focus on ways of providing better incentives to people to produce and consume in a more Earth-friendly manner. But merely trying to bash the folks who raise these serious and important concerns is a cop-out.

Rather than counting pages in economics textbooks, the Worldwatch Institute should try reading their contents.

Murray Weidenbaum is Mallinckrodt Distinguished University Professor and director of the Center for the Study of American Business at Washington University in St. Louis.

CRACKS IN THE WALL

BY MARTIN MORSE WOOSTER

Until 1987, education was one of the dullest subjects in America. The debate—and the debaters—were much the same as in 1977, or 1967. Indeed, American education seemed as fixed as Eastern Europe, and there were striking analogies between the two. The National Education Association was equivalent to the Stalinists, relentlessly committed to suppressing reforms and democracy. The American Federation of Teachers played the part of the reform Communists, in favor of the existing order but occasionally supporting incremental change.

The AFT was more interesting because of the charming volatility of its president, Albert Shanker (a trait Woody Allen noted in *Sleeper*, where he predicted that World War III would begin when Shanker acquired a nuclear warhead). But both unions were intent on ensuring that American public schools changed about as much as the Berlin Wall.

Although it has not yet met the fate of the Berlin Wall, the U.S. educational system has been in flux during the last three years. The unions have steadily retreated; public-school choice has become fashionable; and the command-and-control bureaucracies implemented in the Progressive era are slowly being dismantled. A revolution has not taken place, but the likelihood of permanent and healthy change in American education is higher than at any time since the turn of the century.

One reason for the changes in American education is structural. In the December *Phi Delta Kappan*, Larry Cuban, an education professor at Stanford University, notes that since World War II, public schools have been burdened with more regulations and more administrators than at any time in American history. They have also been called upon to do far more than teach students; they have to head off teenage pregnancy, prevent diseases, aid the handicapped, and so on. But it's far easier for a governor or a county executive to announce a new goal than it is for the schools to achieve it. So while the public schools may look like behemoths, Cuban argues, the story of public education is actually one of "divided authority, policy clutter, and the inability to enforce mandates and regulations."

Given the stagnation and decay of public education, parents have tried to find alternatives. Kathryn Olney offers a poignant example of this in the November/December *Mother Jones*.

San Francisco, Olney reports, is a progressive demiparadise. Leftist political correctness wafts through her upscale neighborhood like exquisite perfume; the residents work to prevent AIDS and save the environment, and the stores are rife with organic foods and handcrafted goods from toiling workers in Central American communes. All is well, except for the schools. For San Francisco, like most American cities of its size and age, has a public school system in which most students are bused. Olney's neighborhood elementary school, instead of being packed with white junior liberals, is filled with "students, most of them black and Hispanic...bused in from some of the most poverty-stricken, drug-infested neighborhoods in the city."

To prevent "white flight," San Francisco has three magnet schools, which, Olney testifies, are the only decent elementary schools in the city, with 500 applicants for each class. White parents frequently forge addresses or pretend that their children are black or Hispanic in order to raise the odds of acceptance. Even former Black Panthers refuse to send their children to public schools.

Olney describes her agony as she "slunk guiltily" through private schools and worried about whether she should pay tuition or flee to the suburbs. Fortunately, she won the lottery; her child was accepted by a magnet school. But are the only alternatives for urban children bad public schools and expensive private ones?

Sensible liberals and leftists see a third way. Weary of the centralizing New Deal and Great Society policies that have led to the sorry state of public education, they prefer decentralized, market-oriented government. In the December 7 *Washington Post Magazine*, neoliberal journalist David Osborne, borrowing a phrase from E.S. Savas, says government should "steer" rather than "row"—guide the economy but not attempt to duplicate services or compete with the private sector. "When government also rows," says Osborne, "it can lose the flexibility to steer effectively, particularly in times of rapid change."

The "enterpreneurial" governments Osborne envisions contract out services, use regulations as a replacement for budget increases, and decentralize as

DAVE BHANG

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much as possible. Thus Osborne approves of public-school choice because it treats parents as partners rather than clients. "Treat people as dependents," Osborne notes, "and they become dependent." Welfare recipients become attached to the dole, and parents ignore their children's education.

But although Osborne wishes to reduce the scope of government, he does not call for reducing its authority. Saying

The educational reforms preferred by sensible liberals do not reduce public spending. True privatization is still an anathema to the left.

that governments should act like entrepreneurs is not the same as saying that capitalists should take over the state. "Wouldn't it be nice," Osborne asks, "if government *worked* again?" A decentralized, efficient government, he argues, would be as free to grow as it would be to shrink.

Thus the educational reforms preferred by sensible liberals such as Osborne—public-school choice, school-based management, devolution of power from superintendents to principals, teachers, and parents—are deemed acceptable because they do not involve reducing tax dollars spent for education. True privatization via fully portable vouchers or tuition tax credits is still an anathema to the left.

While the decentralists have gained the upper hand in the debate over education, the centralists are far from finished. Perhaps the most prominent argument in favor of a top-down answer to school problems is offered by Michael Barrett in the November *Atlantic Monthly*.

Barrett, a Massachusetts state senator, argues that lengthening the school year from 180 to 240 days will ensure that Americans can compete with internation-

al rivals whose children spend far more time in the classroom. Look at the Japanese, Barrett tells us; their children spend, on average, 243 days a year in the classroom and countless hours cramming in private schools. Spending more time in school, Barrett assures us, will allow the United States to end its decline and declare victory over the Japanese economy.

But Barrett makes a weak case for his proposals. He relies extensively on comparisons that purportedly show higher test scores among Asian and European students than among Americans. But as John Hood notes in a recent Cato Institute paper, comparisons between the widely differing policies of national school systems are at best elusive and at worst seriously misleading.

Furthermore, Barrett cites current "effective schools" research (largely conducted by Herbert Walberg of the University of Illinois) that shows that how teachers teach and how parents motivate students have far more to do with student achievement than whether the school year is 180, 240, or, for that matter, 300 days long. Still, he says, schools can't do very much to cut down television viewing or monitor how teachers teach. Lengthening the school year is an "easy improvement" that will enable thousands of students to do better in school.

Barrett shows the politician's gut instinct to Do Something, regardless of whether that something is useful. If even such a diehard centralist as Barrett can implicitly admit that the case for top-down measures is weak, then the centralist position is less secure than one might think.

But most of the chief executives of American education—state school superintendents and governors—still believe that throwing money at the schools is the only way to save them. In the fall *New Perspectives Quarterly*, various educational sachems—the president of the University of California, the governor of Arkansas—deliver short infobites on the future of American education. Though marred by the bland, cream-cheesy voice preferred by *NPQ* and presidential speech writers, the issue is a useful reminder that most educational mandarins have very little to say these days.

That is because the demands for true reform are coming not from the top of the educational ladder but from the bottom. If choice and decentralization are implemented in American schools, it will not be because of a national commission or the whims of the secretary of education, but because parents and teachers are tired of the existing order and want schools that work.

Washington Editor Martin Morse Wooster is writing a book about reforming public high schools.

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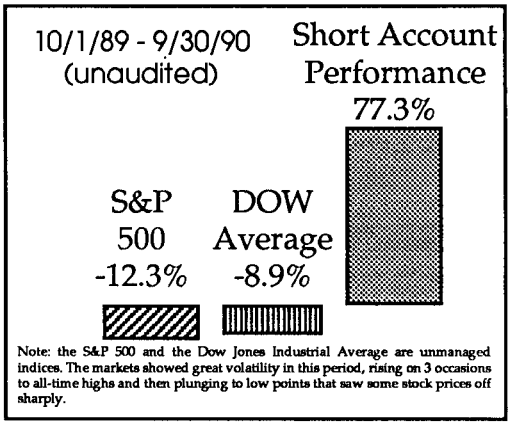

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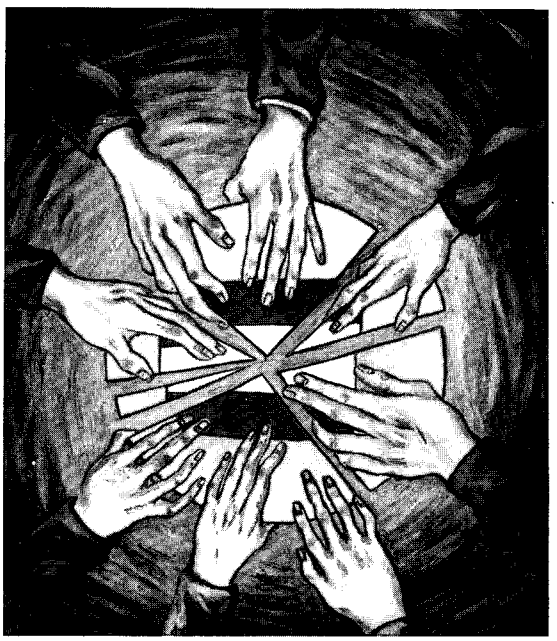
MANAGING THE MANAGERS

BY STEVEN CARLSON

Last year Hungarians were transfixed by drawn-out battles in the press over the dismantling of dictatorship. Even the new wave of porn publishers dignified their trade with titles like "Independent and Democratic Sexy Magazine." This year the buzzword is *privatization*. The coded language of post-Stalinist socialism is being replaced by a trendy vocabulary of commerce, although words like *profit* and *investment* still sound risqué to the Hungarian ear.

Private enterprise has existed in Hungary in a bastardized form since the Kádár regime began a series of stunted reforms in 1968, even if *businessman* was still a dirty word. But aside from the semantic problems, "goulash communism," as the Western media dubbed the program, has left the country with an uncertain model for economic restructuring. The two decades of reform have shifted power from the former state planning apparatus to the hands of managers, who are now dividing their little empires into private corporations, allotting company assets to themselves on highly favorable terms. Small wonder that "business" still has sleazy connotations.

Only about 10 percent of the national economy is privately owned. The current government hopes to bring that level to 70 percent or 80 percent within the next three years. This means privatizing 2,000 state-owned firms with combined assets estimated at $37 billion. Economists have proposed various methods of privatization, including open auction, employee ownership, and distribution of shares among the general population. Policymakers in Hungary are understandably reluctant to venture into such uncharted waters. But the longer the government delays and equivocates, the more opportunity it gives managers intent on looting state-owned enterprises.



In an interview in the *Hungarian Observer*, Tamás Schagrin, deputy state secretary for privatization, explains how this works: The manager of a state-owned firm establishes a joint stock company to which he transfers the firm's assets. The joint stock company essentially strips the original firm, leaving it with only an asset-management permit for the property. Schagrin says the prices paid for the assets of state-owned companies are often as much as 50 percent below market value.

This sort of maneuver is undermining the credibility of privatization in general and of foreign investment in particular.

For example, a scandal erupted last September over plans to convert a well-known downtown Budapest building, housing a popular café, into a hotel. The state-owned tenant, Gamszov, planned to turn over occupancy rights to the building, which is valued at $21.5 million, to a new private company formed by Gamszov and a German partner. A liberal member of parliament accused the Gamszov partnership of intending to raise the venture capital using the building as collateral, without formally purchasing the tenancy from the state-owned firm. The conflict remains unresolved.

The Gamszov affair is only one of a series of quarrels over privatization projects using foreign venture capital. Inevitably, the argument is that Hungarian assets are being sold far too cheaply. Because they have no responsibilities to shareholders or investors, Hungarian managers have little reason to worry about the undervaluation of state properties. Since nobody seems to know who the "state" is that owns these firms, managers make the decisions—often in their own interest. As the saying goes, possession is nine-tenths of the law.

But spontaneous privatization is not always a case of rape and pillage. The Alliance of Free Democrats, the parliamentary opposition, argues for rapid privatization to bring in capital, technology, and know-how. The Free Democrats argue that the actual price of state properties is not as critical as an immediate restructuring of the economy. Streamlined, private firms have a better chance of pulling themselves into the black by overhauling production, cutting staff, and attracting foreign partners. If management has its own interests in mind, the reasoning goes, so much the better.

The fast-track argument is compelling. The state economy is being rocked by cutbacks in military orders, loss of business from COMECON markets, the withdrawal of subsidies, and the radical decontrol of prices. Furthermore, firms still face the chronic problems of a socialist economy: Investment funds are short; producers are at the mercy of their suppliers; and, in a phenomenon called "debt queuing," firms often delay payments to other companies while waiting for their own debtors to settle up. The

ELIZABETH UYEHARA

economy has also been hit by rising oil prices and a summer drought that withered the nation's corn crop and reduced hydroelectric energy potential.

The Free Democrats argue that a productive economy will generate tax revenue to service the $20-billion national debt and deal with the rising social problems of unemployment and homelessness. The ruling Hungarian Democratic Forum (MDF) would rather see that money coming in immediately, from the sales of state assets.

The MDF and others who argue for slow-track privatization disregard the issue of asset grabbing by managers, focusing instead on the perceived sellout of the country to foreign interests. Last May the State Property Agency (SPA), official watchdog of privatization, blocked the takeover of Vegytek, a chemical trading company, by an American firm, EIA Acquisition Corp. SPA objected that the majority-share price of $10 million was insufficient for a company with an annual turnover of $7 million. Moreover, the price did not include the value of Vegytek's personnel or market connections.

Whatever the weight of these accusations, the Americans were not the only side vulnerable to criticism. Vegytek's management, bargaining from weakness, seemed ready to accept any offer to gain liquidity, pleading that capital was necessary to forestall bankruptcy. Furthermore, the managers had seen fit to negotiate with only one firm. Few foreign investors are willing to expend the energy of sizing up a minor Hungarian partner like Vegytek without some assurance that the deal will go through.

Coming up with a fair price for state properties is nearly impossible without accurate value assessments, Western accounting methods, and a viable stock market. One Austrian banker quoted in *Newsweek* claimed that he looked at the value of similar assets in the West and divided by five. No wonder, then, that disagreements are frequent.

The foreigners appear undaunted, however. According to the Hungarian Court of Registration, the number of foreign joint ventures jumped from 184 in 1988 to 4,429 in late August 1990, with estimated capital of $1 billion to $1.5 billion. At present, individual Hungarians have little opportunity to get in on the action. A private sector has been developing for the last decade or so, but it consists mostly of small operators with little capital.

SPA seems to be taking a cautious approach. The so-called First Privatization Program focuses on the hotel trade and commerce, areas in which disagreements are hoped to be few. But SPA has no means to oversee the entire economy. Spontaneous privatization has been halted for the moment, but no real program is on the horizon. The MDF government has tried to instill confidence by issuing an "Economic Program For National Renewal," but critics say the document is merely a rehash of previous vague statements.

The cost of subsidizing inefficient industries may force the government to allow free-style privatization. Another consequence of the 1968 reform package was that increased autonomy in fiscal and production planning gave state enterprise managers economic bargaining power. With the demise of planning, the many larger firms that held monopolies in key markets were left with a vague responsibility to supply the nation. Thus managers could be mildly criticized for shortages, but if they pleaded insolvency the Finance Ministry had little choice other than to offer cheap credits, forgive debts, or waive taxes.

Finance Ministry figures in 1989 counted more than $1 billion in supports to the state economy, including farm subsidies and COMECON trade. Company lobbies are steadily building influence with the year-old MDF government; if their demands are met, higher budget deficits are inevitable. Meanwhile, the International Monetary Fund is pressing for cuts in government spending. With the overall downturn in Eastern European economic figures this year, investor confidence is flagging. Unless the government comes up with a systematic plan for privatization, the managers may have their way in the end.

Steven Carlson is a freelance writer in Budapest.

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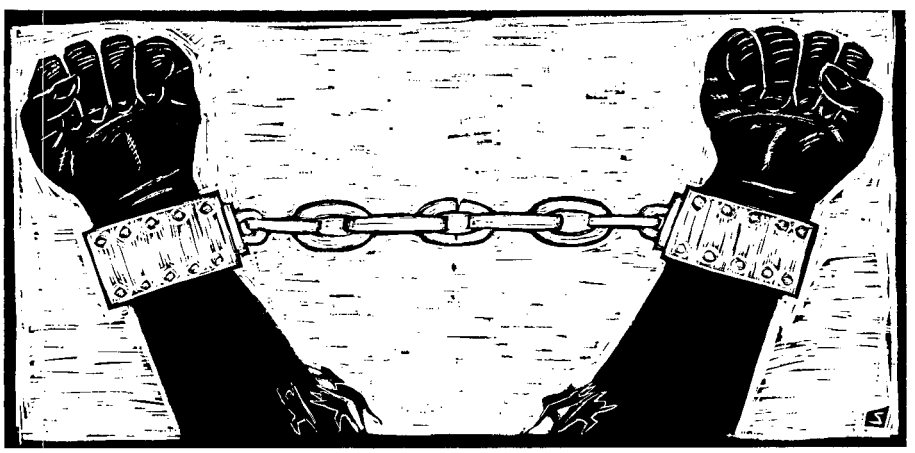
The Persistence of *Plessy*

BY CAROLYN LOCHHEAD

Unfinished Business: A Civil Rights Strategy for America's Third Century
By Clint Bolick, San Francisco: Pacific Research Institute, 180 pages, $24.95/12.95 paper



The modern civil rights movement began at the turn of the century as a struggle for equal opportunity and equal protection, girded by the principles of the nation's founding. A primary aim: to overturn the pernicious separate-but-equal doctrine established in 1896 by the Supreme Court in *Plessy v. Ferguson*. After half a century, success finally arrived with the 1954 case *Brown v. Board of Education*. Ten years later, the civil rights movement achieved another dazzling success with passage of the Civil Rights Act of 1964. In the words of William B. Allen, former chairman of the U.S. Commission on Civil Rights, "petty apartheid was swept from American life with the stroke of a pen."

Then, having achieved its initial goals, the movement quite suddenly changed course. The drive to eradicate discrimination was succeeded by a quest for group preferences and entitlements. During the past 25 years, such "affirmative action" has become the doctrine of the civil rights movement and has been written into state and federal law. The struggle for racial justice has become a conflict—among minorities and between minority and majority—over group privilege.

Into this arena steps Clint Bolick, a Washington, D.C., civil rights activist. In an imaginative frontal attack on establishment doctrine, Bolick declares current thinking on civil rights to be wrongheaded, unprincipled, and ultimately destructive, especially to those it purports to help. A young radical and unabashed idealist, Bolick quotes Thomas Paine, champions the poor and oppressed, and offers not just a new vision of civil rights but a practical strategy to return America to her first principles: inalienable natural rights and equality before the law.

Bolick spells out his manifesto in a slim volume called *Unfinished Business: A Civil Rights Strategy for America's Third Century*, published by the Pacific Research Institute. As the director of the Landmark Legal Foundation for Civil Rights, Bolick represents mainly poor black and Latino individuals in lawsuits that raise constitutional issues. Imbued with optimism and a sense of mission, he offers a striking alternative to standard prescriptions for preferences and entitlements: economic freedom.

Decades of laws and regulations, Bolick argues, severely constrain entrepeneurship, freedom of contract, and entry into occupations, among other things. Many of these laws—not least the 1931 Davis-Bacon Act, which requires government contractors to pay "prevailing" wages—were promulgated with the transparent purpose of stifling economic competition from blacks. Moreover, the state has consigned poor minorities to the failed public school monopoly, diminishing their chances of obtaining an education.

Through such measures, Bolick writes, government has slowly "cut off the bottom rungs of the economic ladder, leaving those outside the economic mainstream to argue their case for quotas and set-asides or join the welfare rolls." He builds a careful framework for his ideas, ranging over broad historical, philosophical, and legal territory with surprising depth and ease. His penetrating and highly readable discussion of natural rights clarifies their deep relevance to the ongoing civil rights struggle. *Unfinished Business* offers far more than a litigation strategy; it is a compelling argument crafted to move public opinion.

For Bolick, civil rights are natural rights, as conceived by the classical liberals of the Enlightenment and embodied in the common law, the Declaration of Independence, the Constitution, and the 14th Amendment. It was this original vision of civil rights as the natural and inalienable rights to life, liberty, and the pursuit of happiness—protected by law in equal measure for all—that propelled the nation to independence and informed its greatest triumphs. And it has been the denial of these principles, Bolick reminds us, that has consistently led the nation to its most

KEN SIEGEL

tragic mistakes, beginning with slavery.

When the civil rights movement abandoned its original principles, Bolick maintains, its struggle swiftly devolved into a spoils system of group preferences. Its governing vision turned from one of liberty and equality before the law to the redistributive, socialist philosophy of the left. As the movement gained political muscle, it grew "complacent, elitist, patronizing, and increasingly detached from the needs of its claimed constituency," he writes. "The contemporary civil rights establishment has sacrificed the civil rights movement's greatest goals, by exchanging individual freedom for group entitlements, equality of opportunity for forced equality of results, and dignity for dependency."

The result: retrogression rather than economic progress among poor blacks. As economic liberty was discarded and welfare became a "right," civil rights advocates legitimized—indeed, insisted upon—the brazenly patronizing assumption that some people, because of their color, cannot be expected to meet the standards demanded of others. A "progressive" version of Jim Crow race consciousness began to flourish.

In advancing this agenda, the proponents of "positive" discrimination have enlisted the judicial system as a major ally. James Madison had conceived of the judiciary as "the bulwark of our liberties," protecting individual rights against the tyranny of the majoritarian state. The courts have abdicated this responsibility, Bolick contends, allowing government to trample on individual freedom in order to promote a purported social good.

Regrettably, Americans appear to have acquiesced in this process. They once viewed government as a source of tyranny and oppression, but most now see it as a font of "benefits" and "entitlements," a benign democratic force for the righting of wrongs. Attacking such attitudes, Bolick draws a potent rhetorical weapon: the perverse ironies that result from abandoning first principles. "Curious spectacles" he calls them, and indeed they are.

In many cities today, the state denies black children admission to their neighborhood schools on account of their race, so they can be bused across town to integrate white schools. This, 35 years after *Brown v. Board of Education* struck down policies that refused black students admission to their neighborhood schools on account of their race. "Have we traveled so far," Bolick asks, "only to end up in precisely the place that we started?"

We clearly have. In 1896, *Plessy* upheld "reasonable" race-based distinctions, establishing the separate-but-equal doctrine. In 1978, Justice Harry Blackmun claimed in his opinion in *Regents of the University of California v. Bakke* that "in order to get beyond racism, we must first take account of race...in order to treat some persons equally, we must treat them differently." The NAACP's Benjamin Hooks has defended quotas by arguing that "the Constitution was never color-blind." Says Bolick: "The most perverse irony of today's debate over racial classifications is that the defenders of quotas are in the position of advancing the principles embodied in the majority opinion in *Plessy*."

The framers of the 14th Amendment viewed economic liberty as essential to the progress of blacks and all citizens and sought to protect that liberty.

The ironies proliferate, as Bolick has demonstrated in litigation on behalf of his disenfranchised clients. In one case, Bolick represents Demond Crawford, an elementary school student in California who is not allowed to take an I.Q. test offered by the schools because he is black. School officials told his mother that if she would reclassify her son as Hispanic, he would be allowed to take the test. When she turned to the NAACP for help, as one logically might, she was told that the organization had not only approved of the race-based policy, but had demanded it on the grounds that I.Q. tests are biased against blacks.

Earlier, in *Brown v. Barry*, Bolick successfully challenged a 1905 Washington, D.C., law that prohibited a black man, Ego Brown, from opening street shoeshine stands. The law had been one of many Jim Crow measures aimed at stifling black economic progress. It seems odd that a modern black city administration, with the blessing of the civil rights establishment, enforced the law in the name of protecting its police power to regulate for the public good. Bolick recalls that an activist lawyer from the Equal Employment Opportunity Commission claimed shining shoes was not a dignified job and that Brown would have more dignity on welfare.

The roots of such policies, Bolick believes, run all the way back to a century-old Supreme Court decision. In 1873, the *Slaughter-House Cases* opened the door to state usurpation of individual economic freedom. Ruling 5-4, the Court eviscerated the Privileges or Immunities Clause of the 14th Amendment, just five years after ratification. The justices upheld a Louisiana statute granting an exclusive 25-year slaughterhouse monopoly in New Orleans and other parishes, and ordered the closing of other existing slaughterhouses. In a spirited discussion of the decision and its lasting consequences, Bolick demonstrates persuasively that *Slaughter-House* stands "as a nullification of fundamental individual rights."

The framers of the 14th Amendment sought to defend individual rights against government, particularly against state governments. They viewed economic liberty as essential to the progress of blacks and all citizens and saw the Privileges or Immunities Clause as a primary instrument to protect that liberty.

In the words of Justice Bushrod Washington, "privileges or immunities" encompassed those rights "which are, in their nature, fundamental; which belong, of right, to the citizens of all free governments." These rights included, among other things, "the enjoyment of life and

liberty, with the right to acquire and possess property of every kind," as well as the right "to transact private business without the interference of government," and the right of an individual "to carry on his own occupation, to secure the fruits of his own industry." Slavery is, of course, the ultimate denial of economic freedom—a fact so obvious it would not bear repeating in any day but the present.

The New Orleans butchers who challenged the slaughterhouse law, Bolick notes, were defending their livelihoods, attempting to protect their right to compete against the state's power to restrain them. In upholding the law, the Court ruled that the states are not bound by federal protection of the privileges or immunities of their citizens.

The ruling was obviously contrary to the intent of the 14th Amendment. As Justice Joseph Field wrote in dissent, "If this inhibition has no reference to privileges and immunities of this character...it was a vain and idle enactment, which accomplished nothing, and most unnecessarily excited Congress and the people on its passage. With privileges and immunities thus designated no State could ever have interfered by its laws, and no new constitutional provision was required to inhibit such interference....But if the Amendment refers to the natural and inalienable rights which belong to all citizens, the inhibition has a profound significance and consequence."

As a result of *Slaughter-House*, Bolick declares, "What was designed as a mightly bulwark to shield individuals against government oppression, has been utterly emasculated by judicial neglect, at great cost to all Americans but particularly to those outside the economic mainstream."

Bolick argues that a new civil rights agenda must aim ultimately to reverse *Slaughter-House*, to restore the basic liberties covered by the Privileges or Immunities Clause. A reversal "would mean far greater security for the forgotten civil rights—primarily economic liberty, which has singularly lacked judicial protection, but also all manner of private property rights, liberty of contract, and other incidents of personal autonomy," he says. "The general sphere of natural rights envisioned by the framers of the Fourteenth Amendment would...provide a new bulwark for protecting individual liberty against the state."

Trying to overturn *Slaughter-House* may seem a quixotic aim more than a century after the ruling. Yet Bolick recalls that the NAACP also seemed to be tilting at windmills when it set out on its 50-year effort to topple *Plessy v. Ferguson*. Moreover, Bolick is not alone. He joins a number of constitutional scholars who, along with such thinkers as William B. Allen, Thomas Sowell, and Charles Murray, are laying the necessary intellectual foundation for a revival of the principles of the Founding and classical liberalism.

Bolick notes that "the remarkable successes of left-wing advocacy organizations" show that law "can be a mighty tool...a powerful weapon in the arsenal of liberty." It is now time "for the defenders of freedom to take to the courtrooms and join the battle on our terms." A manifesto of penetrating reason, passion, and practicality, *Unfinished Business* is essential reading for anyone who has searched in vain for a useful and principled civil rights strategy that supports individual opportunity against group-entitlement dogma.

Carolyn Lochhead is a writer at Insight.

I.O.U.S.?

BY DOUG BANDOW

Gratitude: Reflections on What We Owe to Our Country, by William F. Buckley, Jr. New York: Random House, 192 pages, $16.95

Led by the usual suspects, advocates of national service have been extraordinarily active during the last two years. In 1988, Charles Moskos of Northwestern University wrote a book, *A Call to Civic Service*, detailing a new, voluntary plan to replace his earlier, mandatory proposals. The persistent Donald Eberly has co-edited a new book with Michael Sherraden, *The Moral Equivalent of War?*, reviewing other countries' national service programs and calling for a voluntary U.S. program open to all adults.

And a bevy of conservative Democrats, such as Sens. Charles Robb of Virginia, Sam Nunn of Georgia, and Rep. David McCurdy of Oklahoma, introduced a Moskos-inspired proposal for a multibillion-dollar effort. A number of their colleagues came up with other ways to spend millions or billions of dollars on conservation corps, demonstration projects, and the like. Republican Sen. John McCain of Arizona pushed the only mandatory plan of the lot, receiving substantial silent support.

Before adjourning in October, Congress approved a three-year, $187-million Christmas-tree bill that will spend a little money on each strategy and ensure that everyone will be back pushing for more cash next time. But the real social engineers—Moskos and his lawmaking friends—were disappointed, since all their efforts had led to was the usual passel of pork. They remain genuinely committed to a Plan, a Program, one that they believe will really Make a Difference.

And so, too, it seems, is William F. Buckley, Jr.

Buckley, the founder of *National Review*, has a libertarian streak; he supports legalization of drugs, for instance. But he is a patrician rather than a populist and therefore retains a sense a noblesse oblige. And that means every one should serve.

Indeed, this is not a new idea for Buckley. In 1973 he included it in his book *Four Reforms*, but his program then was entirely private and voluntary, "enforced" by the top 10 private colleges, which would consider only those applicants who had performed a year of national service. Alas, he complains, "the private sector has not shown itself dis-

posed to take action to launch national service."

Yes, he acknowledges, there has been support for individual volunteer projects. But "voluntary social action hasn't sufficed." So "enter the state, with its large inventory of sanctions." And thus the new Buckley program, which, though not formally compulsory, would combine financial rewards with withdrawal of subsidies like educational loans as well as such "privileges" as a driver's license and perhaps the right to obtain a high school diploma.

What makes *Gratitude* a challenge is the author and not the book, a thin volume relying heavily on the writings of others, particularly Moskos's *A Call to Civic Service* and Richard Danzig and Peter Szanton's *National Service: What Would it Mean?* Although one can joke abstractly about there being so little difference between conservatives and liberals, one still does not naturally think of William F. Buckley joining Margaret Mead, William James, Harry Truman, and Robert McNamara in pushing perhaps the hoariest of collectivist nostrums.

Buckley's argument is a simple one. We all owe something to our country. He explains: "We are accustomed to hearing it said that criminals ought to repay their 'debt' to society. The term of obligation is used too narrowly. Those who do not murder, rape, or steal also owe a debt to their society, if only because it pauses to distinguish between those who rape, murder, and steal and those who do not. Call it, broadly, a debt to civilization; more distinctly, a debt to the 'fatherland'—the nation-state into which we were born, or to which we repaired."

Unfortunately, Buckley is confusing "gratitude," the title of his book, with obligation. We ought to be grateful that we live in a society that distinguishes between those who murder and those who don't. But the fact that it makes those distinctions does not mean we are in its debt, that we are somehow receiving undeserved benefits. To the contrary, people are all "endowed by their creator," in the words of the Declaration of Independence, with "certain unalienable rights," including "life, liberty, and the pursuit of happiness." The very purpose of government is to secure these rights. Thus, we should be grateful when it acts to fulfill its responsibilities. But we do not owe it a year of our lives because it has done so.

Of course, many of us believe that we have a moral responsibility to help others who are less fortunate. But even that is not payment of a debt, but rather a voluntary expression of God's love, for instance. It certainly is not something owed to the state. Nevertheless, Buckley argues that national service would strengthen the "connections between the individual and the community beyond those that relate either to the state or to the marketplace."

Buckley's argument is a simple one. We all owe something to our country. Unfortunately, Buckley is confusing "gratitude" with obligation to the state.

Buckley echoes the left when he implies that believers in individual liberty think the world starts and stops at the marketplace. Rather, they support a free society in which people may—and, in fact, do—interact with each other for noneconomic as well as economic reasons. The idea of the marketplace is not that everything must be a pure financial transaction equating marginal cost and marginal benefit, but that everyone is free to pursue his economic *and any other* interest. Indeed, widespread voluntarism today helps strengthen the connection between individual and community about which Buckley is worried.

But Buckley believes that personal choice has not worked, and he wants to "shape the national ethos." Encouraging people to be more humane, giving, and compassionate is certainly a laudable goal. Will national service reshape attitudes in this way, however? Given the widespread cynicism toward politics today, one has to wonder about the effect of a system whereby leaders in Washington continued to live a life of privilege while demanding that young people prove their right to be called, in Buckley's words, "Citizen, First Class."

Still, Buckley argues that the experience of helping others, even if not entirely voluntary, would ennoble the participants. "Republican citizenship incites every man to be a knight," he writes. The benefits of working with the elderly or elementary students or whomever will transform individual lives. And, incidentally, such service will fulfill all sorts of important social needs, resting "on the proposition that there is surplus human energy—i.e., energy not needed for subsistence—that ought to be channeled to social needs whose spokesmen cannot successfully plead their case in the marketplace."

Alas, Buckley's aggregation of a mass of different individual experiences into one mass experience is deeply flawed. First, he relies on essentially meaningless estimates of millions of important tasks that need to be done. The health-care field could use 715,500 people, he writes. Actually, it could use 1.4 million, or 2.1 million, or as many people as nursing homes and hospitals could fit in their hallways, since there is always something to be done if the price is low enough. There's simply no way to know how many of these tasks are worth doing without relying on prices to allocate scarce resources; hence the marketplace test.

Second, not all jobs are equal in their benefit, either to the participant or to society. Working in a museum will not provide the same sort of emotional experience as working with AIDS patients. Filling out police paperwork is unlikely to be as ennobling as helping with the home care of someone who has Alzheimer's disease. Voluntarism works today precisely because it is both voluntary and decentralized, with individuals and organizations trying to fill the jobs that are most worthwhile to both participants and the less fortunate. To create a national program to transform a few of

the people who currently lack much charitable impulse is as dubious a scheme of social engineering as conjured up by anyone on the left.

Buckley says he has detected only "two sea changes in national attitudes" during his lifetime—environmentalism and racial tolerance. He hopes his national service program would promote a third. Yet even without implementation of his plan, the 1980s have seen a dramatic increase in voluntarism, including efforts by the much-maligned yuppies, who have been searching for meaning in their lives beyond fat bank accounts. And those of us who believe in service can not only encourage these trends through books like *Gratitude*—and Buckley's plea in this regard is a powerful one—but also lead by example.

Contributing Editor Doug Bandow is a senior fellow at the Cato Institute and the author of The Politics of Plunder: Misgovernment in Washington *(Transaction Books).*

The Elusive Dragon

BY ROSS H. MUNRO

China Misperceived: American Illusions and Chinese Reality, by Steven W. Mosher New York: Basic Books, 260 pages, $19.95

Among the growing number of foreigners visiting Beijing in the mid-1970s were many Americans whose politics back home would have been labeled mainstream or even conservative. Yet almost invariably these Americans were enthralled by what they saw during their carefully packaged tours of the People's Republic of China. By contrast, European social democrats who had seen the very same factories, communes, and schools regularly voiced deep skepticism about the new China.

Nearly all Americans then seemed captives of the prevailing myth: that the Chinese Communists had created an orderly society that equitably provided sufficient food, shelter, and clothing at a price that, while too high by Western standards, was one the Chinese people were happy to pay after decades of disorder and deprivation. That myth had in turn replaced the prevailing U.S. myth of the 1950s: that China was a totalitarian nation where the mindless masses were collectively building a mighty industrial state and a superpower that would soon threaten the United States.

Although others are not immune, Americans have long been particularly prone to adopting popular perceptions of an alternately good and bad China.

Steven W. Mosher: Revealing the paradigms behind the China myth.

Steven Mosher describes how successive paradigms created by U.S. sinologists and China-hand journalists have for many decades given Americans a profoundly distorted picture of what is happening in the world's largest nation.

Mosher's survey takes us from the caves of Yenan in the 1930s and 1940s—when American journalists pampered by Zhou Enlai and charmed by Mao Zedong sent back dispatches portraying the communist guerrillas as agrarian reformers—to the aftermath of the Tiananmen killings in 1989. Mosher is at his best in documenting—in what must be embarrassing detail for many U.S. sinologists and journalists—the height of the China craze in the years before and after President Nixon journeyed to China in 1972 to establish formal ties with the People's Republic.

It was during that period that I eagerly canvassed several leading U.S. sinologists for their advice, insight, and reading lists as I prepared for my new posting as a newspaper correspondent in Beijing. Do not judge China by Western values, I was repeatedly advised. Start with the premise that, given China's history and the problems it faces, communism is quite acceptable to the Chinese people.

Much of this anti-ethnocentrism run amok reflected the views of John King Fairbank, the dean of U.S. sinologists, whose impact on how Americans viewed China was at its peak. Mosher quotes Fairbank writing in 1972, several years after we began learning of the horrors of the Cultural Revolution, that the "Maoist revolution is on the whole the best thing that happened to the Chinese people in centuries." The people themselves seemed "healthy, well fed and articulate about their role as citizens of Chairman Mao's New China." This was the accepted, mainstream U.S. view of China in the early 1970s; it emanated from Fairbank at Harvard and was promulgated by academics and journalists, many of them his former students.

Unsurprisingly, the book lists I was given then were heavily weighted in favor of authors who were either sympathetic toward, or outright propagandists for, the revolution. U.S. sinologists had little good to say about the more sober and enlightening accounts of the Chinese revolution by their French counterparts. And they dismissed as right-wing pamphleteers Miriam and Ivan London, whose refugee-based accounts of the dark drama unfolding in China in the 1960s and 1970s are given appropriate credit by Mosher as among the most accurate and informative of that era.

Mosher shows how facts that don't fit

into America's China paradigm of the moment are usually discarded, a phenomenon I learned about firsthand in China. My Canadian newspaper syndicated my dispatches to several U.S. newspapers, which had to wait until formal U.S.-Chinese diplomatic ties were established in 1978 before setting up permanent bureaus in Beijing. The *New York Times* used a lot of my material during my first year there but somehow avoided running any feature story that reflected badly on China. (On a couple of occasions, the *Times* ran a story after editing out the one or two negative paragraphs.)

Then, after the first Tiananmen incident—in April 1976, when security forces violently suppressed an antileftist demonstration that had won widespread popular support—the paradigm flipped, and the *Times* began running stories indicating all was not well in the People's Republic. (Incidentally, if Mosher had asked journalists about this phenomenon, they would have informed him that it is not confined to China reportage. All journalists are captive, to a lesser or greater extent, to the shifting paradigms and conventional wisdom of the moment.)

Mosher approached his subject with the advantage of having looked at the People's Republic for more than a year from the ground up in a rural southern village. He has had little firsthand experience with the foreign community of diplomats and journalists in Beijing, a deficiency that is on balance an advantage. But it also explains a small but important omission in his book. He has ignored the crucial role played by a handful of senior Western diplomats in refining and promoting the China paradigm of the moment.

Since the early 1970s, the foreign community has usually been under the intellectual sway of one or two Western diplomats, often ambassadors, whose backgrounds gave them at least one foot in the sinologists' club. Their analyses of what was happening in China have almost invariably been articulate, knowledgeable, and wrong. Sought out by, and trading information with, both visiting and resident journalists as well as academics, these diplomats and their camp followers have had a key role in fashioning and refining the consensus upon which the faulty paradigms were founded.

Mosher concludes on an optimistic note, taking heart that Americans are finally able to get a clearer picture of Chinese realities because, since the Tiananmen incident, "the Chinese people...have begun speaking to us directly about their aspirations for democracy, economic freedom, and human rights." But this is not enough. Ordinary Americans must still depend on a community of scholars, journalists, and political figures to interpret what is happening in the world's largest country. And

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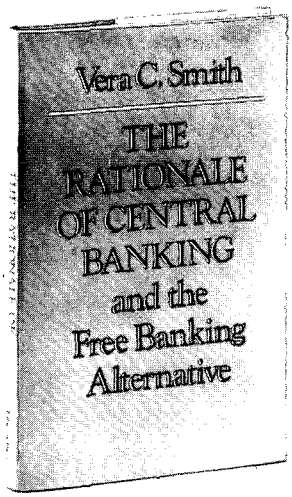

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here the outlook is mixed.

On the one hand, the quality of much of the current writing about contemporary China since Tiananmen has been more balanced and insightful than often in the past. Exemplifying this trend is the excellent reportage of the husband-and-wife team of Nicholas Kristoff and Sheryl WuDunn in the *New York Times*. On the negative side, one can already detect a new and potentially misleading paradigm taking shape. With Marxism-Leninism completely discredited as both an ideology and a working system, the new conventional wisdom goes, communism in China will soon be swept aside as the octogenarians currently clinging to power die. Their deaths will inevitably lead in a few years to a new era of political reform and economic pragmatism.

In a sense, the new reasoning goes, the current oppressive regime isn't even very important because it's not going to be around long. Few hope otherwise, but as Mosher himself would point out, it would be foolhardy to make the sweeping assumption that communism in China cannot survive until the end of the century. Members of the Marxist-Leninist New Class in China are hunkering down now that events in the Soviet Bloc have demonstrated to them that a few reforms can lead to the crumbling of an entire communist edifice.

Ross H. Munro, head of the Asia Program at the Foreign Policy Research Institute in Philadelphia, was Beijing correspondent for the Globe and Mail *from 1975 to 1977.*

Beyond the Margin

BY DONALD McCLOSKEY

The Lever of Riches: Technological Creativity and Economic Progress
By Joel Mokyr, New York and Oxford: Oxford University Press, 349 pages, $24.95

Give me lever and a place to stand on, said boasting Archimedes, and I shall move the world. What is odd about his world of the classical Mediterranean is that for all its genius it didn't apply the lever, or anything much else, to practical uses. Applied technology, argues Joel Mokyr, was a Northern European accomplishment. The "Dark Ages" contributed more to our physical well-being than did the glittering ages of Pericles or Augustus.

From classical times we got toy steam engines and erroneous principles of motion. From the 9th and 10th centuries alone we got the horse collar, the stirrup, and the mold-board plow. From an explosion of ingenuity down to 1500 we got in addition the blast furnace, cake of soap, cam, canal lock, galleon, cast-iron pot, chimney, coal-fueled fire, cog boat, compass, crank, cross-staff, eyeglass, flywheel, glass window, grindstone, hops in beer, marine chart, nailed horseshoe, overshoot water wheel, printing press, ribbed ship, shingle, ski, spinning wheel, suction pump, spring watch, treadle loom, water-driven bellows, weight-driven clock, wee drop of whiskey, wheelbarrow, whippletree (see "The Wonderful One-Hoss Shay"), and the windmill. Down to 1750 the pace merely slackened, without stopping. And then came "The Years of Miracles," as Mokyr calls them, 1750 to 1900.

In the end, the thing to be explained is the Industrial Revolution, which during a century and a half raised the bread, ships, and innocent amusement available to the ordinary person by a factor of 12. The Industrial Revolution, in Mokyr's view, isn't properly thought of as a late and sudden shift to capitalism. It was the culmination of a millennium of technological creativity. In the 1930s a British schoolboy, when asked on an examination to explain the Industrial Revolution, penned an immortal line: "About 1760 a wave of gadgets swept over England." Mokyr amends the child's wisdom: From about 900 to 1990 a wave of gadgets swept over Europe.

The Austrian economist Israel Kirzner has argued recently that profit is a reward for what he calls "alertness." Sheer—or as we say "dumb"—luck is one extreme. Hard work is the other. Alertness falls in between, being neither luck nor routine work. Pure profit, says Kirzner, earned by pure entrepreneurs, is produced by alertness.

Mokyr's story can be told with Kirzner's metaphors, to the advantage of both. As both emphasize, the systematic search for inventions can be expected in the end to earn only as much as its cost. The routine inventor is an honest workman but is worthy therefore only of his hire. The cost of routine improvements in the steam engine eats up the profit. It had better, or else the improvement isn't routine. Routine invention, as Mokyr says, isn't a free lunch. "The cold and calculating minds of Research-and-Development engineers in white lab coats worn over three-piece suits" created some of the inventions. But only some.

The classical economist down to the present says there is no free lunch. At the margin (and margins in the classical world are everywhere) no one earns supernormal returns. Classical economics lies behind the Marxoid view of the Industrial Revolution. The revolution, they say, entailed the sacrifice of the poor. The poor paid the price of industrialization. The parallel view among the anti-Marxoids is that it was, on the contrary, the rich who paid the necessary price, through their saving. Anyway, the classical theory is that someone had to sacrifice. You don't get something for nothing. Make more guns and you must make less butter. Scarcity reigns.

But the Industrial Revolution doesn't appear to have been a matter of scarcity and tradeoffs. Something happened beyond the grim sacrifice of one generation for the comforts of the next. There was, says Mokyr, "an increase in output that is not commensurate with the increase in effort and cost necessary to bring it about." The fact has been known in economics since the 1950s, when Moses Abramowitz and Robert Solow

first drew attention to the "residual." The residual is the enrichment left over after routine investment has explained as much as it can. It is embarrassingly large.

Mokyr's book summarizes in a lucid and accessible way much of the attempt over the past decades to explain it, from Schumpeter's theory of great inventions through the cost-benefit studies by Robert Fogel, Nathan Rosenberg, and others in the New Economic History, down to the new institutionalism of Douglass North on the right and Alfred Chandler on the left (this last located, oddly, in the Harvard Business School), Mokyr brings the news that all these attempts to explain the residual by hard work have failed.

If hard work wasn't the cause of the Industrial Revolution, is the explanation to be found at the other exteme of Kirzner's spectrum? Was it sheer dumb luck? Mokyr turns over the notion that the revolution happened by luck and rejects it. After all, it happened in more than one place (in Belgium and New England as well as in Britain, for instance) but spread selectively (to Northern but not Southern Italy; to Japan and Korea but not China.)

Well, then, is it Kirzner's metaphor of "alertness" that explains Mokyr's "lever of riches"? Yes. Mokyr makes a distinction between microinventions (such as the telephone and the light bulb), which responded to the routine forces of research and development, and macroinventions (such as the printing press and the gravity-driven clock), which did not. He stresses throughout that both play a part in the story. Yet he is more intrigued by the macroinventions, which seem less methodical and, one might say, less economic. Guttenberg just did it, says Mokyr, and created a galaxy.

So Mokyr's story can be aligned with economic metaphors. But there is something missing in the metaphors and in the story, something needed to complete the theory. From an economic point of view, alertness by itself is highly academic, in both the good and the bad sense. It is both intellectual and ineffectual, the occupation of the spectator, as Addison put it, who is "very well versed in the theory of a husband or a father, and can discern the errors of the economy, business, and diversion of others better than those engaged in them."

If his observation is to be effectual, the spectator has to persuade a banker. Even if he is himself the banker he has to persuade himself, in the councils of his own mind. What is missing, then, from the theory of technological change is power. (Marxoids, rejoice.) Between the conception and the creation, between the invention and the innovation, falls the shadow.

At the root of technological progress is a rhetorical environment that makes it possible for inventors to be heard. Free speech leads to riches.

Power runs between the two. An idea without a bankroll is just an idea. In order for an invention to become an innovation the inventor must persuade someone with a bankroll.

This is as true of literary or scientific opportunity as it is of technological invention. Until he won the Goncourt Prize in 1919, the French didn't take Proust seriously. Until Saul Bellow put his imprimatur on William Kennedy's books, Kennedy (author of *Ironweed*) worked as a reporter on a bad newspaper. Intellectual bankers need to be persuaded as much as financial ones.

Mokyr understands this perfectly well, and calls it "openness to new information." He quotes a writer who contrasted the delightful stage of alertness with the less delightful stage of persuasion, which is "a struggle against stupidity and envy, apathy and evil, secret opposition and open conflict of interests, the horrible period of struggle with man, a martyrdom even if success ensues." Any academic or businessperson can supply instances. What matters, to put Mokyr's theme in rhetorical form, are the conditions for persuasion. Europe's fragmented polity made for plural audiences, by contrast with intelligent but stagnant China. An inventor persecuted by the Inquisition in Naples could move to Holland. "It seems that as a general rule...the weaker the government, the better it is for innovation."

Early in the book Mokyr asserts that there is no connection between capitalism and technology: "Technological progress predated capitalism and credit by many centuries, and may well outlive capitalism by at least as long." One doubts it. Capitalism was not, contrary to the Marxoid story that dominates the modern mind, a modern invention. As David Herihy, an expert on the Middle Ages, put it 20 years ago, "research has all but wiped from the ledgers the supposed gulf, once thought fundamental, between a medieval manorial economy and the capitalism of the modern period." And any idea requires capitalism and credit in order to become an innovation. The Yorkshireman who invested in a windmill in 1185 was putting his money where his mouth was, or else putting someone else's money there. In either case he had to persuade.

What makes alertness work, and gets it power, is persuasion. At the root of technological progress is a rhetorical environment that makes it possible for inventors to be heard. So the Industrial Revolution was rhetorical. It was the climate of persuasion that made Europe great.

The conclusion is pleasing, if it is true. Free speech leads to riches. The plain speaking that has characterized Europe since the dark ages is what has made it rich. No wonder that the nations where speech was free to a fault were the first to grow rich: Holland, Scotland, England, Belgium, and the United States. And no wonder *glasnost* pulls in tandem with *perestroika*, with Gorbachevian persuasion first of all.

Donald McCloskey is the John F. Murray Professor of Economics and professor of history at the University of Iowa and author of If You're So Smart: The Narrative of Economic Expertise *(University of Chicago Press).*

METAPHORICALLY SPEAKING

BY THOMAS W. HAZLETT

When David Stockman spilled the beans, informing *The Atlantic Monthly* that Ronald Reagan's political game plan was to use economic growth as a Trojan Horse, slashing tax rates for the rich on the old trickle-down theory of macroeconomics, he had to be taken to the woodshed by his boss, who scolded him like a Dutch Uncle.

I try not to write this way on a good day. I was just conducting a little experiment, seeing how many metaphors I could cram into the space of one sentence. I count about six and a half. What fascinates me about the use of metaphors in political discourse is the manner in which the tool of man becomes the master of thought; how the simple choice of expression—a seemingly neutral prop to further understanding—rigs the philosophical outcome.

All political discussants grasp this intuitively. That's why, when arguing *for* tax cuts, Professor Laffer alertly shuns "trickle down," selecting instead the Kennedy-esque "a rising tide raises all boats." Economists, in fact, have a much older, more respectable, if boring credo: "gains from trade." All three clichés refer to precisely the same phenomenon—increased economic activity*—while implying radically different magnitudes of improvement for the typical U.S. citizen. (*I here have attempted to employ a relatively neutral term...it's tough.)

Yes, it is sort of a game, but games are great metaphors for real life—or even politics. Supply-siders, despite the able contributions of Messrs. Reagan and Laffer, should have played around with "showers of riches," "flooding the fisc," "drowning the depression," "green thunder"—something torrential, going with the metaphorical water flow but turning up the spigot.

When such language tricks work, whole constituencies wrap themselves around catchphrases that seal arguments before they are begun. A flagrant example has already been slipped into this article: There is no trickle-down theory of macroeconomics (apart from the quite sedate "gains from trade"). The slander was merely forwarded as a pop put-down of low-tax policy. The slander stuck. Reagan's tax cuts have not.

The metaphorical struggle is waged on a thousand different socioeconomic battlegrounds. The "homeless" were once "bums, hobos, drifters, bounders." *Homeless* is more lucrative. (The U.S. government never appropriated billions for bums, now, did it?) But the term is only a metaphor: Everyone has a home, by definition. What many people lack is a *house* or an *apartment*, but *houseless* is a really crummy term with which to rally sympathy for people who are down on their luck. (I know you're catching all these and playing along on the home version, right?)

The metaphor is a political detection device trained on the innermost values of those who speak. When the empty-headed George Bush lambasted Michael Dukakis (no, that's not the proof of the vacuum; other evidence abounds) for being soft on the Pledge of Allegiance, liberals, missing the importance of the metaphor, screamed that the incredible lightness of the issue made the attack scurrilous. One almost had to be a graduate of Harvard University to miss the Ailes/Bush ploy: They were smokin' out Mikey's gut feelings 'bout America. Mikey flunked the Pledge test; Mikey flunked the whole damn presidential prelim.

A really cool metaphor shifts the entire burden of proof. Flag burning, for instance, is a powerful symbol of America bashing that triples the pulse rates of insecure patriots everywhere. "What do you mean you think someone should be allowed to *burn the flag*?" One has to argue back just to get to scratch. In a crowded public forum, listeners are scarce. And for the few who attempt discourse, the extra explanation required of the presumptively guilty party soon turns into tendentious whining. That itself provokes. "Why don't you just get behind America, rather than tossing out all this First Amendment mumbo jumbo, you pathetic little pinko?" Miller Time arrives quickly in this fixed debate.

Perhaps no modern metaphor is more effective than viewing the welfare of black Americans as the product of a race with whites. When Lyndon Johnson spoke of the need for affirmative action in 1965, he adroitly pinned it to the image that lasts to our time: It does little good to free a man's feet of chains, he said, when the race is half over. Countless others have exploited this vision of a track at which the state may stagger positions and handicap horses in order to make the home stretch a fair heat.

The analogy stinks. Social life is not a race; there certainly is no common starting line, no pace car, no flag, no final lap, no photo finish. Economic and personal achievement is more like a picnic where folks plop down all over the place, napping, playing, fighting, striking fires, grilling steaks, kicking back, rolling in the hay. To interrupt this incredibly complex mosaic of social activity—where individuals in fact set their own goals—with a batch of "free spin" coupons from Washington is to set off a chain of events that has none of the order or predictability of moving a starting line up a foot or two. To think of affirmative action as a friendly shove into the fast lane of life is to vastly oversimplify the multidimensional tracks upon which human beings actually choose to run.

But don't let me rain on your parade. I only meant to trickle down.

Contributing Editor Thomas W. Hazlett teaches economics at the University of California, Davis. This year he is a visiting scholar at Columbia University.

Who was Felix Morley, and why is the Institute for Humane Studies awarding $7,500 in his honor?

Felix Morley was editor of the *Washington Post* from 1933 to 1940 and a winner of the Pulitzer Prize for distinguished editorial writing. In the *Post* and in subsequent writing, at the height of the New Deal and postwar anti-communism, Morley emphasized private property, voluntarism, and a nonintervention-ist foreign policy.

The Institute for Humane Studies is pleased to announce the fifth annual Felix Morley Memorial Journalism Competition. IHS will award

First Prize: $2,500
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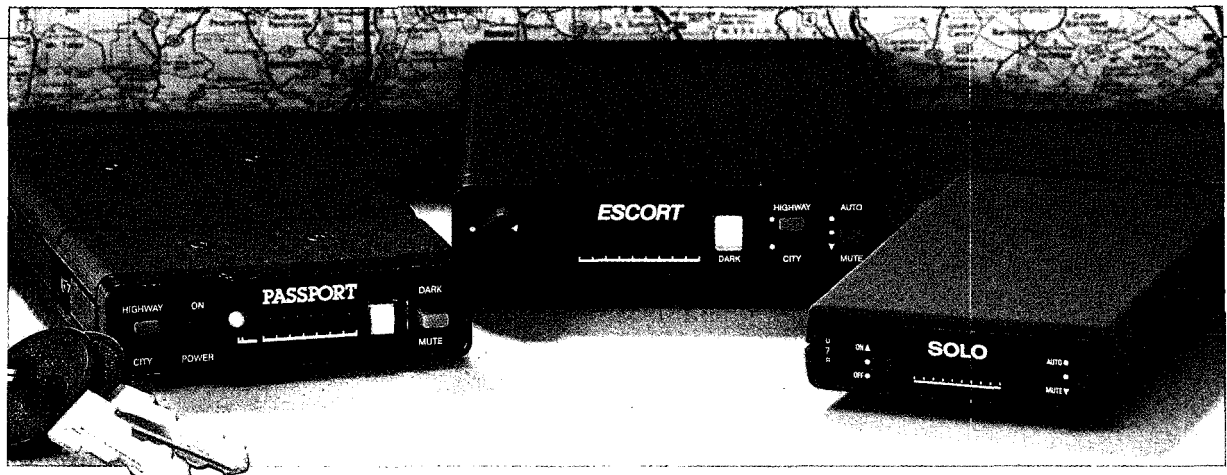
to outstanding young writers whose work demonstrates an appreciation of free enterprise and individual liberty. In addition, five runner-up prizes of $500 will be awarded.

Applicants must be young journalists (25 or under) or students. Judging will be based on three to five pieces published between January 1, 1990, and June 15, 1991, and may include articles, editorials, opinion pieces, essays, or reviews.

The Morley competition is judged by a distinguished panel of reporters, writers, editors, and academics. Prizes are awarded based on the writing ability, appreciation of liberty, and potential for development demonstrated in the submitted material.

Application Deadline: June 15, 1991

To obtain rules and application form, write to: Morley Prize Secretary, Institute for Humane Studies, George Mason University, 4400 University Dr., Fairfax, VA, 22030-4444.



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